As of 4 p.m. ET **DJIA** 10318.16 ▼ 0.14% **FTSE 100** 5251.41 ▼ 0.31% **Nikkei 225** 9497.68 ▼ 0.54% **Shanghai Comp.** 3308.35 ▼ 0.37% **Hang Seng** 22455.84 ▼ 0.83% **Sensex** 17021.85 ▲ 1.41% **S&P/ASX 200** 4685.76 ▼ 1.34%

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THE WALL STREET JOURNAL.

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DOWJONES A NEWS CORPORATION COMPANY asia.WSJ.com

Coal-mine explosion in China kills more than 90 workers

Agence France-Presse/Getty Images

Rescuers make their way into a mine on Sunday in China's northeast Heilongjiang province, where the death toll from a weekend coal-mine blast climbed to 92; another 16 workers were missing. It was the country's deadliest mine accident in nearly two years. **Page 6**

Reliance makes a bid for Lyondell

BY ERIC YEP

Reliance Industries Ltd., the giant Indian energy and materials company, made a nonbinding cash offer to take a controlling interest in **LyondellBasell Industries** when the chemical maker exits bankruptcy, LyondellBasell said Saturday.

Neither LyondellBasell nor Reliance disclosed the value of the deal, but the Indian company could pay as much as $12 billion, according to analysts, based on valuations prevailing in the U.S. chemicals industry.

If a deal is struck, it would be among the largest international acquisitions by an Indian company and would create a global energy and chemicals powerhouse. Reliance, the world's largest polyester-fiber maker, has revenue of more than $32 billion a year. Before filing for bankruptcy in January, LyondellBasell, the world's third-largest chemicals company, posted $50.7 billion in annual sales.

Reliance, led by Mukesh Ambani, India's richest man, has traditionally been focused on the Indian market, while other major Indian conglomerates have made major foreign purchases in the past few years—such as the **Tata Group**'s purchase of the Jaguar Land Rover brand and Anglo-Dutch steelmaker Corus.

But at Reliance's 35th annual general meeting Mr. Ambani hinted at aggressive plans for expanding its businesses globally.

For Mr. Ambani, the deal would mark a signature overseas expansion at a time when cash-rich and buoyant Indian companies, having survived the recession relatively unscathed, are eyeing foreign acquisitions.

Reliance runs India's richest gas find so far, the KG basin off the eastern coast of India, which is expected to double the country's gas output at its peak output of 80 million standard cubic meters a day.

It operates two refineries in Jamnagar in the western state of Gujarat, with a production capacity of 660,000 and 580,000 barrels a day, respectively.

Netherlands-based LyondellBasell would help Reliance with distribution networks in two key markets—

Please turn to page 26

China money leaks offshore

BY JONATHAN CHENG

HONG KONG—Soaring property prices in Hong Kong and booming baccarat tables in Macau offer a telling glimpse of how money is leaking out of mainland China, in defiance of Beijing's strict capital controls, and shaking up two of the country's key offshore markets.

THE OUTLOOK

Housing prices in Hong Kong, a city still barely recovering from recession, have risen some 30% this year. On the opposite side of the Pearl River Delta, Macau gambling officials are discussing measures to slow growth there after a trio of record-breaking months, including all-time highs in August and then October. October's revenue of US$1.58 billion is about double that of Nevada for the same period.

It is no secret who brought the party: cash-rich mainland Chinese, eager to put their money to work.

Massive stimulus spending and easy credit in China have likely added to flow of cash through under-the-table transfers, research firm GaveKal Dragonomics wrote recently in a note to clients. "The sheer amount of 'shady money' flowing to Hong Kong and Macau is becoming slightly embarrassing for Beijing," the note said.

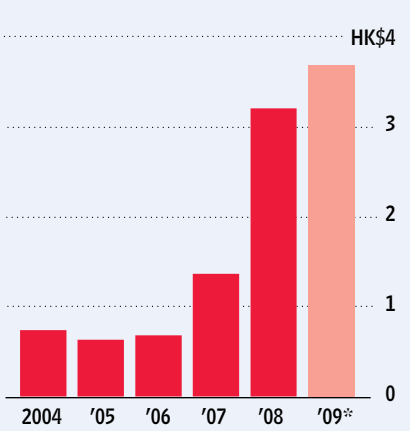
Officially, China's capital-control regime regulates the amount of money flowing in and out of mainland Chinese borders, including into the Chinese special administrative regions of Hong Kong and Macau. But in practice, money flows liberally through offshore bank accounts and a number of other nonofficial channels, experts say.

Jane Jiang, a Beijing-based lawyer for Allen & Overy LLP who specializes in

Please turn to page 26

Real-estate boom

Money poured into Hong Kong real estate by mainland Chinese nationals under Hong Kong's immigration investment scheme. In billions:



*Through September
Source: Hong Kong Immigration Dept.

■ Hong Kong reigns in property developers' marketing .....Page 5

PAGE TWO

What's News—

* * *

Business & Finance

■ **Hershey trustees are pushing** the chocolate maker to launch a $17 billion bid for Cadbury that would include more cash than Kraft's offer. The trust, which in the past has complicated Hershey's merger efforts, is now seen by insiders as the aggressor. **29**

■ **Delta Air Lines CEO said** the SkyTeam alliance would be willing to invest more than the proposed $1.02 billion in JAL to forge a partnership. **27**

■ **Sands China has raised** $2.5 billion in a Hong Kong IPO after pricing the share sale at the low end of its indicative price range amid lackluster reception from investors. **31**

■ **Western oil majors** are racing to lock up license renewals in Nigeria before legislation that could boost tax and royalty rates. **3**

■ **The Bank of Japan faces** mounting pressure to loosen its policy as deflation tightens its grip on the nation's economy. **4**

■ **The U.S. Federal Reserve's** strategy to fend off a barrage of attacks from Congress isn't succeeding. **11**

■ **The ECB's chief warned** banks against "addiction" to abundant, cheap credit as the central bank took a step toward unwinding financial support measures. **4**

■ **Nissan is considering** plans to make all-electric cars in Guangzhou, as the Japanese auto maker steps up its electric-vehicle activity in China. **28**

■ **A midsize commercial bank** said China's banking regulator ordered it to curb its lending for the final two months of this year. **33**

■ **Some of Goldman Sachs's** largest shareholders have urged the firm to reduce its bonus pool, arguing the company should pass along more of its blockbuster earnings to investors. **32**

Reuters

An Indonesian ferry sank Sunday in rough waters off Sumatra island, killing 29 people and leaving at least 17 missing. Rescuers saved more than 240 people. Above, rescued passengers arrive at the port in Karimun island, Riau province.

■ **The price of copper** has more than doubled so far in 2009 despite ample supplies as traders' optimism outweighs fundamental factors. **33**

■ **A trial starting** Monday in the alleged insider-trading case involving EADS could have repercussions at the parent company of plane maker Airbus as well as on the authority of France's stock-market watchdog. **28**

■ **Obama called for** an increase in U.S. exports to Asia, saying it would help create jobs. **11**

■ **A consortium led** by Hong Kong's China Strategic Holdings shouldn't have agreed to sell a stake in Nan Shan Life before Taiwan regulators had agreed to the consortium buying the insurer, the regulator said. **31**

■ **EBay suffered** sporadic failures Saturday, limiting shoppers' ability to search for products in the run-up to the crucial holiday shopping season. **13**

■ **Google said** the first devices using its Chrome operating system would be available by the end of 2010. **13**

* * *

World-Wide

■ **Democrats and independents** voted to proceed with debate on legislation that would overhaul the U.S. health system. **10**

■ **Afghan insurgents staged** a series of brazen attacks as Karzai's second term began, including suicide strikes targeting officials and a rocket attack on a hotel. **9**

■ **Suspected militants set off** two bombs outside a police station in India's restive northeast, killing seven people and wounding more than 50, police said.

■ **Iran launched** a five-day air-defense exercise Sunday, flexing its military might amid pressure over its nuclear program. **10**

■ **The picture that emerges** of climate-change scientists from the documents accessed by hackers is one of backbiting. **11**

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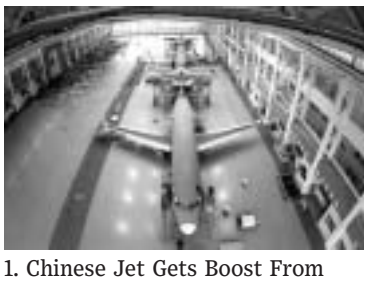

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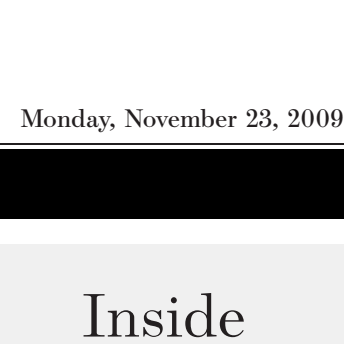
Have India-U.S. relations changed since Obama became president? Two Indian students on the WSJIDEBATE panel exchange their views on the issue.

Inside

U.S. and India hone nuclear pact for Singh's visit. **6**

How Danny Pang charmed and deceived his prey. **18-19**



Investors see tough end-of-year market conditions. **27**

BHP and Rio primp for the miners' ball—again. **40**

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WORLD NEWS

Oil majors race to seal deals in Nigeria

Firms want to beat possible law that would raise tax, royalty rates

By Will Connors

WARRI, Nigeria—Western oil companies operating in Nigeria are racing to lock up license renewals ahead of legislation that could boost tax and royalty rates.

Amid the negotiating scramble, several big players are expected to recommit to community-development programs and local infrastructure projects. **Royal Dutch Shell** PLC has even agreed to offer business training to former gun-toting militants in the volatile, oil-rich Niger Delta, following a government-sponsored amnesty here.

A sense of urgency arose among the Western oil majors after the Nigerian government said earlier this year it had received an expression of interest from oil-thirsty China to buy the rights to the expiring licenses. Nigerian officials confirmed in September that China's state-owned **Cnooc** Ltd. was interested in more than 20 oil blocks, including nonexpiring blocks currently operated by Western companies.

China's chances of actually acquiring the leases from the government were never very good. Apart from legal avenues Western companies could pursue to prevent their licenses from being taken and given to the Chinese, Western operators in Nigeria have been pumping oil for years and have longstanding, though sometimes volatile, relations with Abuja.

In more-recent discussions, their worry over Chinese competition seems to have subsided. "That threat appears to have gone away," said an industry executive familiar with the talks. "It is not being used as a negotiating ploy to get the deals done."

But oil companies are still eager to get renewal discussions over with and sign deals. That's because the Nigerian government is considering legislation that would change the scope of new oil-related joint ventures, increasing tax and royalty rates paid by foreign companies.

On Friday, **Exxon Mobil** Corp. became the first big company to lock in renewals, signing an extension for 20 years, with an option to renew, on three of its licenses.

Shell Chief Executive Peter Voser met Nigerian President Umaru Yar'Adua in October to discuss renewal of Shell's licenses. At the meeting, Shell officials argued they had been long-term investors in Nigeria and shouldn't be forced out of the country's oil fields now, said one official who attended the meeting.

"We talked about us building the foundation, us building the house, us living in the house and others knocking on the door," this official said, referring to the Chinese offer. The president "got it," the official said.

A Shell spokeswoman declined to comment on the negotiations. "We expect that the formalization of the renewal of these licenses can be accommodated through continued dialogue with the federal government," she said.

Chevron Corp. is also discussing license renewals. "We're in contact with the Nigerian government about license issues. We're seeking clarity on this matter," a Chevron official said.

Nigerian officials couldn't be reached for comment on negotiations.

Established players such as Shell, Exxon, Chevron and France's **Total** SA have worked Nigeria's fields for decades, through cycles of violent militancy, oil theft, corruption and frequent failure by the government to follow through on investment commitments in partnerships with the oil companies.

Despite all those headaches, oil companies are eager to stay in the region because of Nigeria's vast reserves. Amid worry over their licenses in recent months, they have demonstrated fresh commitment.

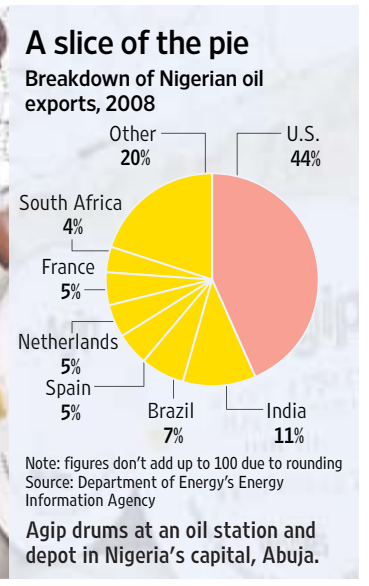
Shell said earlier this month that it had taken the extraordinary step of starting a business-training and rehabilitation program for former militants from the Delta region. Shell has yet to provide details about the program or how much it will cost.

In October, thousands of militants turned themselves in and handed over their weapons in exchange for amnesty. Analysts now see public efforts by companies to contribute to post-amnesty rehabilitation as a possible new focus of oil-company largesse.

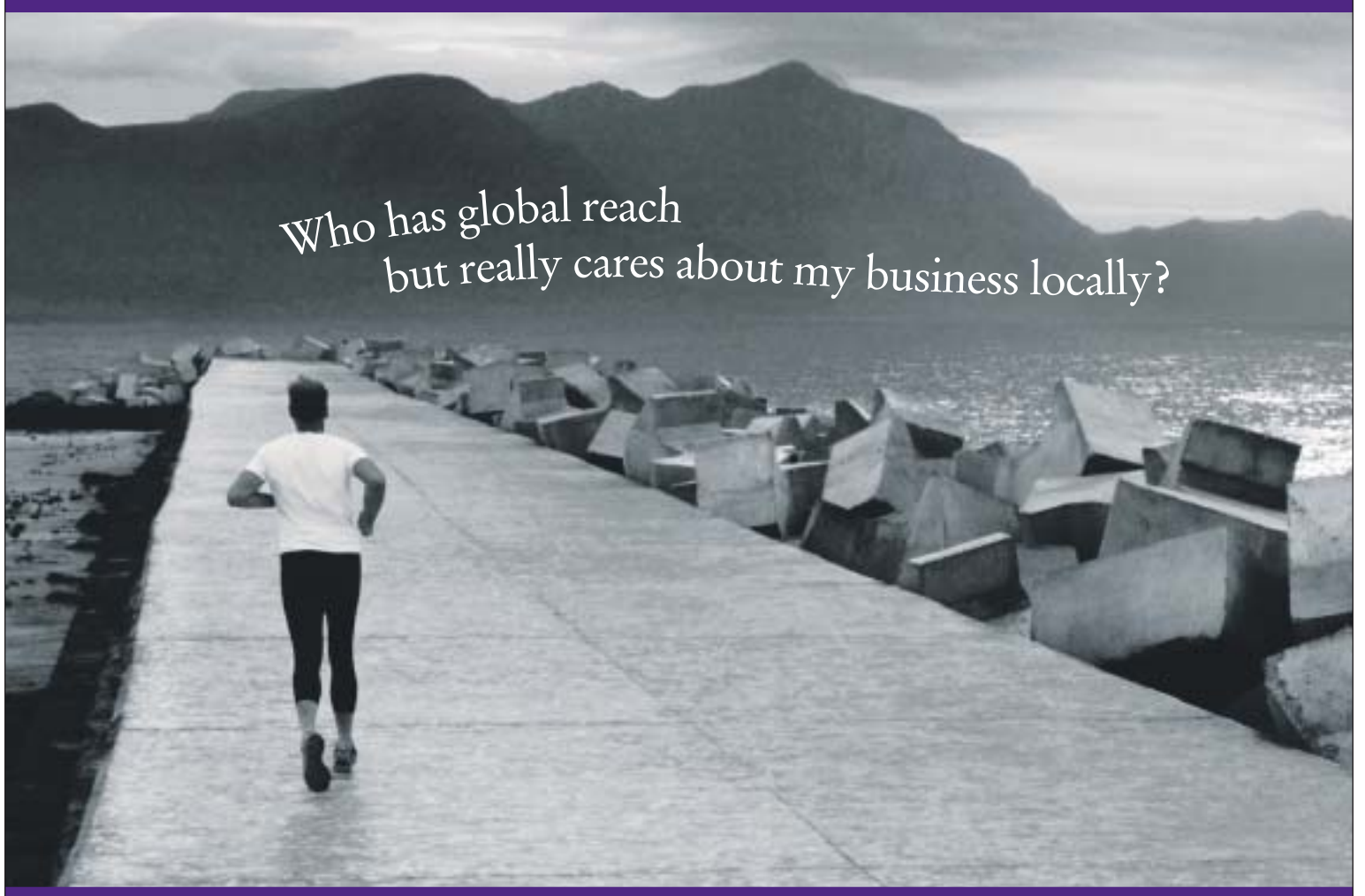
"There could be some pressure outside and within the international oil companies to improve their relationship with the government," said Antony Goldman, a Nigeria analyst based in London. "If oil companies feel that they can make a gesture to show that they can help [in the post amnesty process], there may be a payoff."

Reuters

Agip drums at an oil station and depot in Nigeria's capital, Abuja.



Big decisions follow you around.



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WORLD NEWS: ASIA

Deflation's return weighs on Japan

Tokyo says old scourge is back, presses central bank to extend easing as other banks seek tighter monetary policies

By Yuka Hayashi

TOKYO—The Bank of Japan faces mounting pressure to loosen its policy as deflation tightens its grip on the nation's economy, even as some other central banks begin to roll back stimulus steps amid signs of economic recovery.

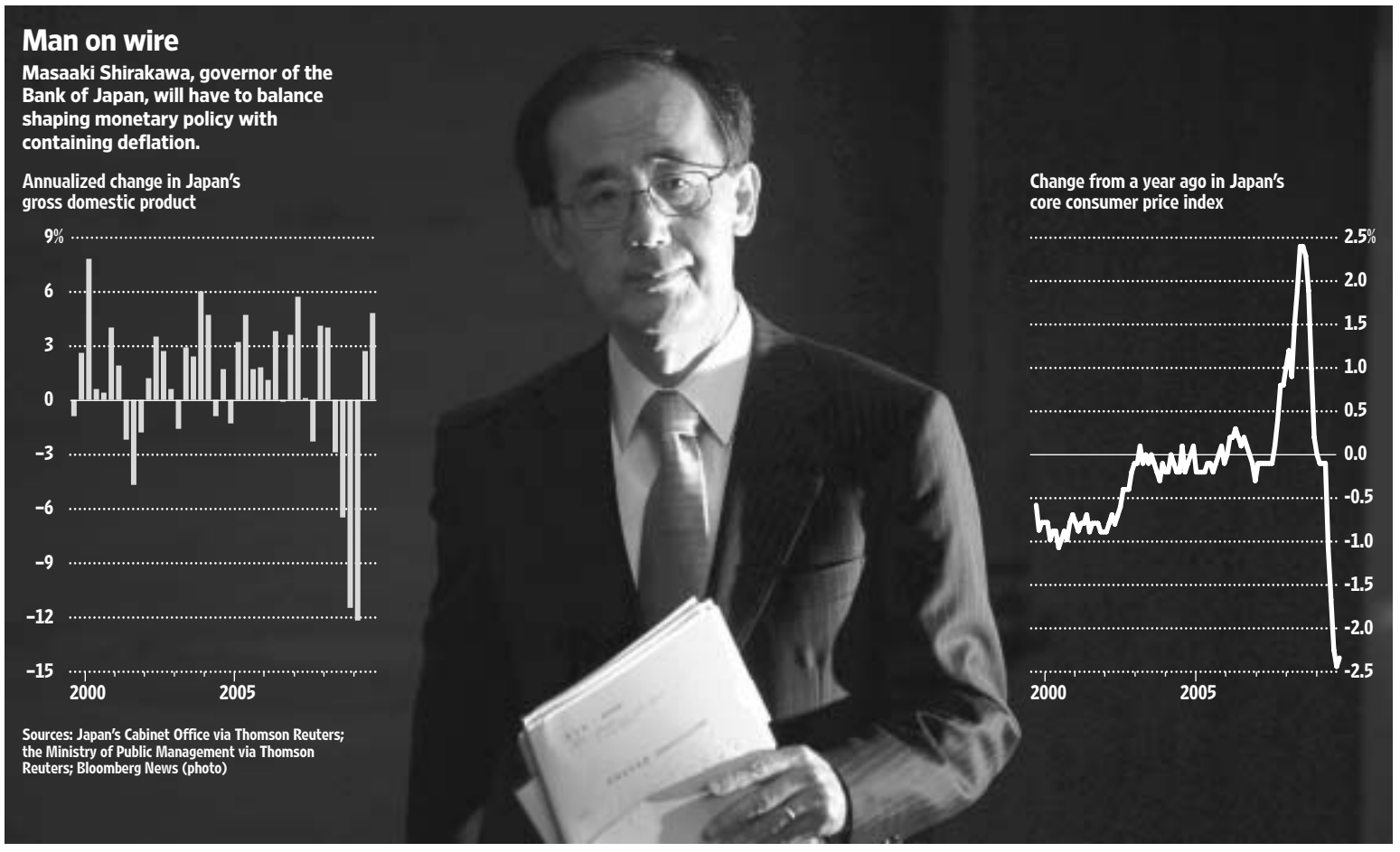
The Japanese central bank on Friday kept rates unchanged and upgraded its assessment of the economy, citing rising exports and industrial output. The bank, which has stuck with super-easy monetary policy for more than a decade, has hoped to follow other central banks in looking at ways to tighten policy. Instead, Japan's government and economists are urging it to adopt new easing steps, such as purchasing long-term government bonds.

The calls grew louder Friday after the government declared that the nation's economy was in deflation—a decline in the general level of prices for goods and services—for the first time since 2006. That year, policy makers concluded the nation had finally shaken off the deflation that had hindered its economy since the late 1990s. The heightened pressure for easing also follows a spate of recent data showing accelerating price declines in broad parts of the economy.

"Deflation is getting very severe," said financial services minister Shizuka Kamei. "We are closely watching what the BOJ can do in this environment."

During the third quarter, the domestic demand deflator—a measure of changes in prices of goods and services except for exports and imports—fell 2.6%, its fastest pace since 1958.

Bank Governor Masaaki Shirakawa didn't hint that any new steps were in the offing. BOJ officials in recent months have signaled their reluctance to take further loosening steps. With its key interest rate already at 0.1%, the BOJ has few weapons left in its arsenal if the economy slumps again. The central bank has decided to end buying of commercial paper and corporate bonds in December and pledged to end a special lending program for banks in March.



Economists are debating the effects of the last time the central bank pursued a policy of what's known as quantitative easing, which includes pouring money into the government bond market. Some blame the move for contributing to the global asset-price run-up that led to last year's world financial crisis.

Outside of Japan, central banks are beginning to reverse extraordinary steps adopted during the recent downturn. Central banks in Australia, Norway and Israel have already raised rates, while others have taken more modest steps. The U.S. Federal Reserve late last month ended its purchase of Treasury bonds. Such moves come amid growing concerns that prolonged easing by large economies such as the U.S. and Japan could pave the way for another financial bubble. The Bank of England, which has been buying government securities, is one exception.

The mounting pressure on the Bank of Japan reflects the difficulty Japan faces in finding ways to buttress its fragile economy, which grew 1.2% in the third quarter over the previous period, its second consecutive quarter of growth after four quarters of sharp contraction. As the sputtering economy squeezes tax revenue, Japan's already troubled fiscal conditions are deteriorating.

Still, Prime Minister Yukio Hatoyama is under pressure to implement expensive social policy programs that his party promised to voters before sweeping to power in September.

This makes it difficult for Tokyo to come up with more stimulus measures without issuing new bonds—a step that would make the bond market jumpy. The Organization for Economic Cooperation and Development predicts Japan's national debt will rise to more than 200% of its gross national product in 2011 from 170% in 2007, already the highest among rich nations.

Echoing Japanese lawmakers, the OECD called on the BOJ to relax its policy further by purchasing government bonds. "The Bank of Japan should fight deflation through a strong commitment to keep interest rates at their very low current levels and to implement quantitative measures effectively until underlying inflation is firmly positive," the OECD said in its Economic Outlook released Thursday.

Hiromichi Shirakawa, a Credit Suisse economist in Tokyo, says the BOJ will likely resist pressure for a few months but may adopt a new easing step around March, in time for the termination of the current special lending program. Mr. Shirakawa also recommends the purchase of long-term government bonds, which will have the effect of keeping a cap on interest rates while pushing down the yen's exchange rate. A weaker yen, in turn, would shore up earnings of exporters, helping both the economy and the government's tax revenue.

"It's very important for the BOJ to show the market it has the will to conquer deflation, both through action and through words," Mr. Shirakawa, of Credit Suisse, said. "Otherwise, expectations for deflation will only get worse."

—Megumi Fujikawa and Tomoyuki Tachikawa contributed to this article.

ECB chief takes step toward exiting crisis

By Brian Blackstone

FRANKFURT, Germany—European Central Bank President Jean-Claude Trichet warned banks against "addiction" to abundant and cheap credit as the ECB took a first step toward unwinding its financial-support measures.

At a conference here Friday, Mr. Trichet said financial institutions "must act now to ensure that a future removal of central-bank support can be managed without painful withdrawal symptoms."

He pledged to unwind stimulus in a "timely and gradual" fashion and offered no hint that ECB officials think they can be aggressive. "I understand that the mood in the financial system is one of relief," he said, "but as of today, it is too early to declare the crisis over."

Financial markets have been on alert for signs that the ECB, the U.S. Federal Reserve and other central banks will withdraw some financial-support measures as a precursor to eventual interest-rate increases.

After Mr. Trichet's speech, the ECB said it would scale back one of its support programs by tightening requirements for "asset backed" securities, a class of investment underpinned by income from loans such as credit cards, auto and student loans and mortgages. In an effort to keep credit flowing over the past year, the ECB has allowed banks use such securities as collateral for low-interest credit.

Friday's decision "sends a message that the ECB is firmly in exit strategy mode," said Jacques Cailloux, chief European economist at Royal Bank of Scotland.

Most economists expect the ECB to keep interest rates where they are well into 2010.

—Geoffrey T. Smith contributed to this article.

Bloomberg News

ECB President Jean-Claude Trichet warns banks about too much cheap credit at Friday's conference in Frankfurt, Germany.

WORLD NEWS

Hong Kong acts on property rules

By Jonathan Cheng

HONG KONG—Notoriously aggressive marketing tactics for Hong Kong residential property that helped turn the 46th floor of a landmark development into the 88th floor will soon be toned down.

Under new government guidelines, real-estate developers will have to state the floor number and square footage of condominium units in their sales materials.

"The government is deeply concerned about some recent sales tactics in the first-hand uncompleted residential property market and confusing market information," a government spokesman said Friday. "The new measures will further enhance the transparency of transactions ... and the clarity of property information."

Last month, blue-chip developer **Henderson Land Development** Co. said it sold a unit in its luxury condominium, 39 Conduit Road, for about US$56.6 million. The unit, which was marketed as sitting on the 68th floor of the building, was actually on the 44th floor.

The floor numbering plan skipped numbers deemed inauspicious (containing the number four, for example, which sounds like a Chinese word for death) and highlighted the ones considered lucky (ones containing eight, which sounds like a word for prosperity). The top floor of the 46-story building is called the 88th floor.

Now, the government says developers will have to "set out the floor numbering information clearly" in the front of their sales brochure.

Developers will have to show the per-square-foot price of apartments, applying the usable area.

The government also focused on how big developers say an apartment is. Typically, Hong Kong's developers include each unit's share of the public hallways, air-conditioning units and the gym and spa in quoting its gross floor area to home buyers. Developers don't always report the usable square footage of the apartment, which includes only the unit itself, plus any extra balcony or utility areas.

Under the new measures, which it announced Friday in conjunction with the Real Estate Developers Association of Hong Kong, developers will have to show the per-square-foot price of individual apartments, applying the usable area.

At 6,158 square feet, the apartment at 39 Conduit Road sold for US$9,200 per square foot. After stripping out the extras, the condo is only 4,671 square feet, which works out to over US$12,000 per square foot.

A Henderson spokeswoman said that the developer would comply with any guidelines issued by the Real Estate Developers Association. Previously, Henderson Chairman Lee Shau Kee said the numbering of 39 Conduit Road was a response to market demand.

Under the government's new arrangements, developers also will have to disclose information about primary market transactions more quickly, within five days instead of the current period of one month.

Associated Press

Luxury condominium 39 Conduit Road is seen from the Peak in Hong Kong. The developer's floor plan renumbered scores of floors to use lucky numbers like eight.

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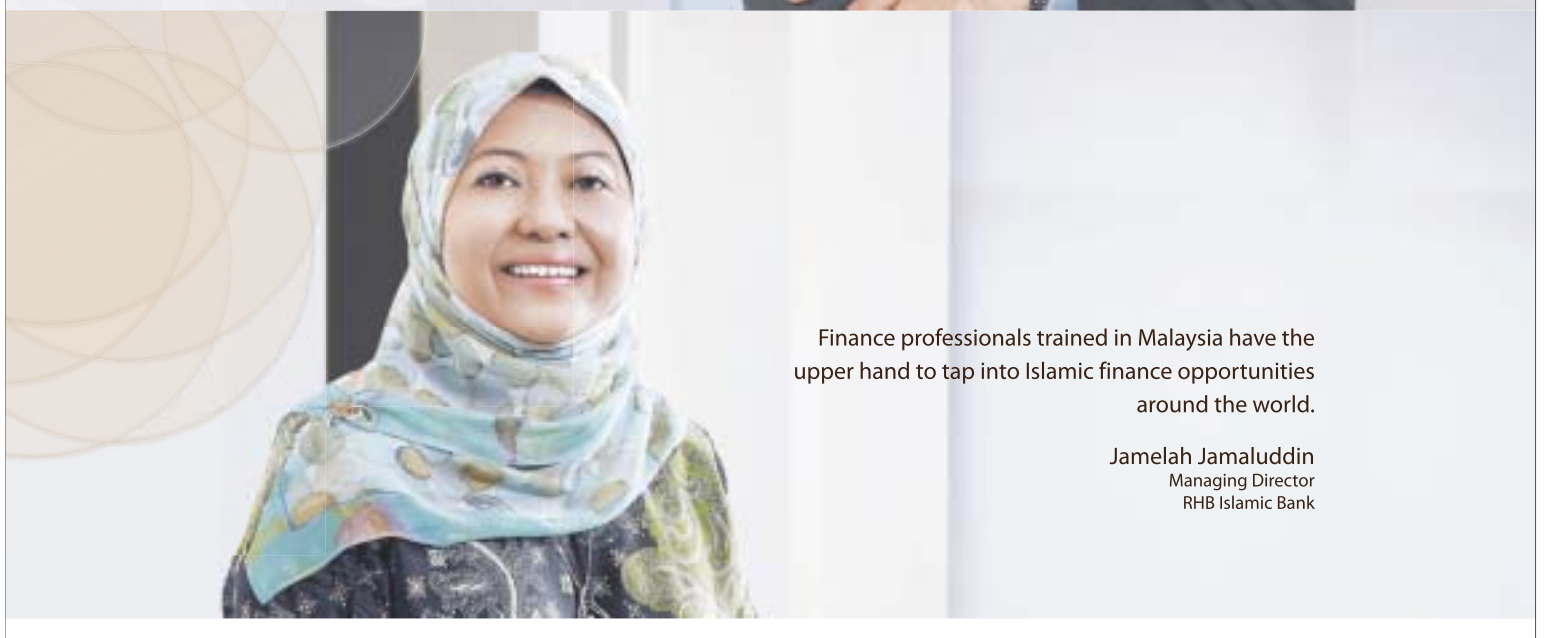
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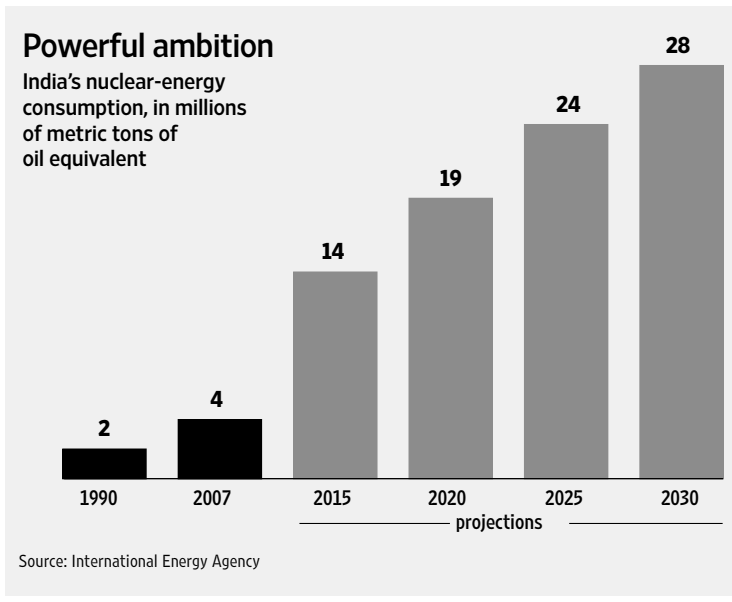
WORLD NEWS: ASIA

U.S. and India hone nuclear pact

Negotiators meet ahead of Prime Minister Singh's visit to White House; companies await conclusion to enter market

India and the U.S. are pushing to tie up vital details of a nuclear-energy cooperation agreement approved by their legislatures last year, ahead of Prime Minister Manmohan Singh's visit to the White House Tuesday, said officials from both countries.

*By **Amol Sharma** in New Delhi and **Jay Solomon** in Washington*



Google Earth

The nuclear deal was a breakthrough in relations for two nations that were ideologically opposed during the Cold War, and Mr. Singh staked his political reputation to get it approved by a reluctant Indian Parliament.

But American companies haven't yet been able to begin selling their technology and services because of remaining regulatory roadblocks.

"We have made tremendous progress" on the nuclear talks, Timothy Roemer, U.S. ambassador to India, said in New Delhi last week. "We are pushing hard to see a successful conclusion to these issues."

Negotiators from the two nations met in Washington on Saturday as part of an effort to formalize the pact. The negotiators planned to focus on an agreement to make sure low-enriched uranium sold by U.S. companies to Indian companies for use in their reactors doesn't end up reprocessed as weapons-grade fuel.

The administration of President Barack Obama also is seeking greater safeguards for the handling of enriched uranium, and needs a guarantee from India, a nuclear-armed nation, that the fuel won't be used for military purposes, according to officials briefed on the talks.

Washington is also awaiting official assurances from New Delhi—which refuses to sign the Nuclear Nonproliferation Treaty—that it won't pass on its nuclear know-how.

Also delaying the conclusion of the nuclear deal is the passage of an Indian law providing U.S. companies with liability protection in the case of nuclear accidents. Companies such as **General Electric** Co. say the law is a prerequisite for entering the Indian market. India plans a major expansion of nuclear production by 2020 as part of a broader plan to meet rising energy demand.

Senior Indian officials have told U.S. counterparts that they plan to introduce the liability legislation in the coming session of Parliament.

The Obama administration calls its ties with India one of Washington's most important strategic partnerships. U.S. officials said President Obama and Mr. Singh will announce a string of joint projects focused on education, clean energy and defense, following their Tuesday morning meeting at the White House.

On Monday, Mr. Singh will be hosted at a lunch by Vice President Joe Biden and Secretary of State Hillary Clinton. Mr. Obama will host a state dinner for him on Tuesday night.

"We are putting in place now a wide range of bilateral cooperation to really reflect the new level of engagement." Assistant Secretary of State Robert Blake said last week in Washington.

Mr. Singh's visit comes almost a year after gunmen from Pakistan led an assault on Mumbai, India's financial hub, which left at least 170 people dead. The U.S. and India have since stepped up intelligence-sharing and counterterrorism cooperation and are moving to formalize those arrangements, said Indian and U.S. officials.

Despite growing ties, the U.S. and India are still working through a number of contentious issues, said South Asia experts.

Discussions about the nuclear pact dominated Mr. Singh's trip to Washington in 2005, when former President George W. Bush's administration was pushing aggressively for the deal. Mr. Obama came into office pledging to develop a "regional" solution to South and Central Asia's instability, and specifically cited the need to resolve India's conflict with Pakistan over the Himalayan territory of Kashmir.

The White House initially envisioned its special envoy to Pakistan and Afghanistan, Richard Holbrooke, playing a direct role in mediating the Kashmir issue, according to U.S. officials. But New Delhi pushed backed against any direct American role.

The Obama administration also continues to debate India's growing economic and diplomatic role inside Afghanistan. U.S. officials have publicly praised New Delhi's developmental assistance to Kabul. But privately, officials in Washington say New Delhi's involvement could be driving Pakistan to support the Taliban out of fears of being encircled by India's presence in Afghanistan.

India also remains wary of Washington's regional relationship with China. Indian officials voiced dismay last week after Mr. Obama signed a communiqué with his Chinese counterpart pledging to jointly cooperate to promote stability in South Asia.

New Delhi viewed the statement as the U.S. allowing Beijing to police the countries to its south and west.

"We don't want to be subordinated to China in South Asia," said C. Raja Mohan, an influential Indian strategic analyst, at a Washington policy forum last week.

—Paul Beckett contributed to this article.

Death toll in Chinese mine blast reaches 92

Associated Press

HEGANG, China—Rescuers worked in frigid cold to reach 16 miners trapped underground Sunday as the death toll from a huge gas explosion in a northern Chinese mine jumped to 92. It was the deadliest blast to hit the beleaguered industry in nearly two years.

The predawn blast Saturday at the state-run Xinxing mine in Heilongjiang province near the border with Russia was the latest to hit China's mining industry. Authorities say safety is improving, but hundreds still die in major accidents each year. The blast underscores the difficulties the government faces in trying to boost safety while maintaining output.

The death toll more than doubled overnight, the state-run Xinhua news agency reported.

Ventilation and power were restored in the mine, said an employee at the company that owns the mine. The mine's director, deputy director and chief engineer were fired Saturday, he said.

A total of 528 people were working in the Xinxing mine at the time of the 2:30 a.m. explosion Saturday, the State Administration of Work Safety said. Xinhua reported that 420 people escaped.

On Sunday, steam was seen rising from the site of the explosion, which resulted from a gas build-up. The blast littered the ground with shards of shattered glass and twisted pieces of metal. A building next to the mine lay crumbled.

Wang Jiguo, a 35-year-old miner who monitored gas levels in the shaft, said he grabbed two other workers near him and started scrambling to the door, shouting: "Run quickly, don't carry anything!"

At the entrance of the shaft, Mr. Wang and Fu Maofeng, 48, phoned other workers who were still underground and told them to escape, Mr. Fu told Xinhua from the intensive-care unit of a hospital in Hegang, where he was being treated.

"Just after we hung up the phone, we heard a loud bang from inside the shaft. The entrance of the shaft started shaking," Mr. Fu said. Then searing hot air slammed them to the ground, knocking them unconscious.

When he came to, Mr. Fu was in the hospital, his face covered with scratches and burns. "Our team has 10 people, and I don't know how they are now," Mr. Fu said.

Company officials said they remained hopeful of finding survivors.

"If we haven't found them, to us that means they are still alive," said San Jingguang, a spokesman for the mining company. "Rescuing people is still our first priority."

Agence France-Presse/Getty Images

Rescuers enter the mine near Hegang, in northeast China, Sunday, a day after the nation's deadliest mine disaster in two years.

U.S. H1N1 crest seen

Widespread flu can still resurge, officials warn; mutation in Norway

By Betsy McKay

The current wave of swine flu may have peaked in most of the U.S., but the illness remains widespread and the threat of another wave remains, officials said Friday.

The news came as officials in Norway reported a mutation of the flu virus in two patients who died and one who became severely ill. The mutation, while seen before, appeared to make the H1N1 virus cause infection deeper in the respiratory system than the regular swine-flu virus, a possible explanation for the more-severe cases, Norwegian scientists said.

Swine-flu cases appear to be declining in most of the U.S., the Centers for Disease Control and Prevention said Friday. Flu activity is widespread in 43 states now, down from 46 the previous week and 48 two weeks ago. Flu cases also appear to have peaked in the U.K. and parts of Western Europe, but are on the rise in Eastern Europe and parts of Asia, the World Health Organization said. But pandemics occur in waves. In the 1957-58 flu pandemic, one wave peaked in the fall and was followed by a second wave in January.

Anne Schuchat, director of the CDC's National Center for Immunization and Respiratory Diseases, warned that more flu is circulating now than at the height of many flu seasons, and holiday travel could bring more infections. "It is so early in the year to have this much disease," she said at a news conference. "We don't know if these declines will persist, what the slope will be, whether we'll have a long decline or it will start to go up again."

The CDC estimates at least 22 million Americans have been infected with H1N1 flu, with 3,900 deaths. Dr. Schuchat said 21 U.S. children had died from influenza in the past week, with 15 confirmed to have had H1N1. A total of 171 pediatric deaths have been confirmed since April, although the CDC estimates that more than 500 children have died of the disease.

The Norwegian Institute of Public Health reported on its Web site that it found the change in only three of 70 virus samples from Norwegian cases that they examined, and said it didn't appear to be circulating widely. The mutated virus "might be a result of spontaneous changes which have occurred in these three patients," said Geir Stene-Larsen, the institute's director general.

The WHO and CDC said the mutation has been seen since April in six other countries, doesn't always cause severe disease, isn't widespread, and responds to vaccine and the antiviral medications. "This mutation has been seen sporadically here and around the world," Dr. Schuchat said. Some of the cases were mild, and the H1N1 virus has caused severe lower-respiratory infections without the mutation, she said.

"To date, no links between the small number of patients infected with the mutated virus have been found and the mutation does not appear to spread," the WHO said in a statement.

Meanwhile, China's health ministry ordered accurate reporting of the spread of H1N1 influenza and threatened to punish officials who conceal cases of the virus after a prominent medical expert raised doubts about the number of deaths reported to date.

In a statement posted late Thursday on the Ministry of Health's Web site, spokesman Deng Haihua reiterated the need for local health departments to ensure timely reporting of H1N1 cases, and welcomed the media and the public to supervise and discuss the ministry's work in fighting H1N1. Mr. Deng said concealment, underreporting or delays in transmitting information about the spread of the illness would be subject to punishment.

Earlier Thursday, state-run media in the southern province of Guangdong reported that Zhong Nanshan had expressed suspicions about the low number of reported fatalities from H1N1. Dr. Zhong, director of the Institute of Respiratory Diseases in Guangzhou, is best known for speaking out in 2003 against official reports that initially covered up the extent of the SARS epidemic.

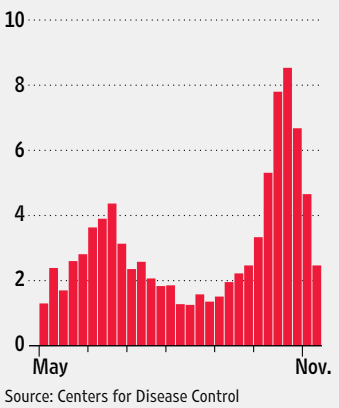
—Sky Cavanes and Kersten Zhang in Beijing contributed to this article.

Associated Press

Kaleb Nissley, 3, gets the H1N1 nasal-spray vaccine Friday as his mother holds him.

Slowdown

Number of laboratory-confirmed cases of H1N1 flu in the U.S. by week, in thousands



Source: Centers for Disease Control and Prevention

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WORLD NEWS

U.S. enlists allies' aid

Americans seek 7,000 extra NATO troops for Afghanistan ramp-up

By Peter Spiegel And Stephen Fidler

WASHINGTON—The Obama administration is in advanced talks with its North Atlantic Treaty Organization allies for a coordinated rollout of a new Afghan war strategy, which U.S. officials hope will include a commitment by European allies to send several thousand additional troops.

U.S. and European estimates of the new troops they may get from NATO allies vary from 3,000 to 7,000. Those would complement the addition U.S. forces Mr. Obama is considering; those options range from 10,000 to 40,000, but U.S. officials have said a combination of combat troops and training forces totaling 35,000 has gained the most momentum.

Arrangements haven't been finalized, but coordinated announcements of new troops could come as soon as the week of Nov. 30. They are likely to include an address by the NATO secretary general, Anders Fogh Rasmussen, shortly after President Barack Obama unveils his strategy.

According to officials familiar with the talks, Mr. Rasmussen would attempt to send a clear signal that the U.S. isn't alone in its plans to confront the Taliban. Officials said that Mr. Obama's review of Afghan strategy and U.S. troop levels, which some had thought would be completed last month, was extended in part to solidify NATO support.

NATO foreign ministers are scheduled to meet in Brussels starting Dec. 3, and European diplomats said they expect Mr. Obama to make his announcement ahead of the meeting.

A commitment of as few as 3,000 new troops from allies could be a significant diplomatic coup for the White House, given the largely fruitless efforts by the Bush administration to get new large-scale commitments from NATO in the waning months of its tenure. The U.S. has 68,000 troops in Afghanistan; other allies have 36,000.

Mr. Rasmussen "has already begun an intensive series of consultations with European allies," said NATO spokesman James Appathurai. "He believes it is very important that we maintain a fair balance of burdens in this mission, and that includes in the context of any (troop) increase the U.S. may announce."

U.S. officials in recent weeks have been seeking allies' feedback on strategy and pressed foreign capitals to announce additional troop commitments.

U.S. officials' estimates of foreign troop increases are mostly targets at this point, and include some that already have been publicly announced or signaled by governments.

According to people briefed on U.S. plans, the Obama administration is targeting six European allies to contribute battalion-sized units, generally about 500 to 1,000 troops. Officials say they are most hopeful they can get commitments from Germany, Italy and the United Kingdom.

Italy, which has 2,800 troops in Afghanistan, has signaled it would be willing to keep deployed the 400 added soldiers it sent as part of stepped-up security surrounding the August Afghan elections. An Italian official declined to comment. U.K. Prime Minister Gordon Brown likewise has signaled intention to send 500 more troops, and Turkey has recently announced it is roughly doubling its current complement to 1,600.

Both Germany and the United Kingdom could find it politically difficult to commit more troops—at least in the coming weeks.

According to current and former U.S. officials, senior officials in the government of German Chancellor Angela Merkel have signaled a willingness to press Germany's parliament to raise its troop ceiling to as much as 7,000 from 4,500. But it appears unlikely Germany would be able make a commitment in time for the rollout of the new strategy. A German government spokesman said Wednesday that Berlin will review its Afghan commitments early next year; officials declined to comment on the 7,000 figure.

Mr. Brown has been under intense criticism at home over his handling of the war, including lack of adequate equipment to support troops. Some senior U.S. officials have estimated the U.K. still may be able to commit as many as 2,000 more troops over the coming year, thanks to Britain's withdrawal from Iraq. A spokesman for Mr. Brown said the U.K. "keeps troop numbers in constant review," but that plans for troops have not changed.

Britain's opposition Conservative Party, favored to win an election to be called before June, has also said it would consider an increase of 2,000 troops, though the party's defense spokesman said any new troops would be for training Afghans.

U.S. and European officials acknowledged the Obama administration's relations with NATO allies have become strained over Afghan policy during the White House's three-month review of war strategy, with allies irritated they were not getting enough insight into U.S. plans.

But officials said attitudes have changed markedly in recent weeks as senior U.S. officials, including National Security Advisor James Jones and special representative Richard Holbrooke, have fanned out to European capitals.

"They're in a much better place today than they were three weeks ago with NATO," said a former senior U.S. official who has discussed Afghan policy with both sides. "The tenor of the conversations has changed."

The U.S. is targeting some other countries for major new contributions, but with less optimism. One, France, has already said it will not send more troops, but some senior U.S. officials hope a reduction in French forces in Kosovo could still open the door for as many as 1,000 new troops in Afghanistan. A French official didn't respond to a request for comment.

Turkey—which took command of NATO forces in Kabul on Nov. 1—and Romania are being targeted for added contributions of 600 troops each, according to U.S. officials. A Turkish official said his government has made no additional decision on troop levels, and a Romanian official didn't respond to a request for comment.

—Marcus Walker and Alistair MacDonald contributed to this article.

The alliance | NATO forces in Afghanistan

	Troop contributions | **Deaths**
Albania	250
Australia	1,350 | **11**
Belgium	530 | **1**
Bulgaria	460
Canada	2,830 | **133**
Croatia	290
Czech Republic	480 | **3**
Denmark	690 | **28**
Estonia	150 | **6**
Finland	165 | **1**
France	3,095 | **36**
Germany	4,365 | **34**
Greece	145
Hungary	360 | **2**
Italy	2,795 | **22**
Latvia	175 | **3**
Lithuania	250 | **1**
Netherlands	2,160 | **21**
New Zealand	300
Norway	480 | **4**
Poland	1,910 | **15**
Portugal	145 | **2**
Rep. of Macedonia	165
Romania	990 | **11**
Slovakia	245
Slovenia	130
Spain	1,000 | **26**
Sweden	430 | **2**
Turkey	720 | **2**
U.K.	9,000 | **235**
U.S.	34,800 | **923**

Note: Forces are in the theater; excludes nations that contribute fewer than 100 troops;

U.S. troop total doesn't include about 33,000 troops operating outside NATO command., but death figures are total U.S. deaths.

Sources: NATO's International Security Assistance Force; iCasualties.org

Associated Press

U.S. soldiers at a checkpoint near the town of Balisal in Logar province, Afghanistan, on Thursday. The U.S. is seeking a commitment for more troops from its allies in the North Atlantic Treaty Organization to complement an addition to American forces in Afghanistan, as part of a coordinated rollout of a new strategy.

Militants attack Afghan targets

Winter doesn't appear to slow assaults

By Anand Gopal

KABUL—Taliban-led insurgents marked the first days of President Hamid Karzai's second term with a series of deadly attacks across Afghanistan, including suicide strikes that targeted key government officials and a rocket attack on a Kabul luxury hotel that hosted senior Afghan and Pakistani ministers.

In the past, militant attacks tended to taper off with the approach of the winter months, as fighters moved to the warmer climes of Pakistan. This doesn't appear to be the case now, with daily clashes continuing throughout the country.

"They are staying through the winter and fighting," said Sayed Ansari, spokesman for the National Directorate of Security, Afghanistan's security agency. "We expect to see higher levels of attacks than previous years."

The recent Taliban attacks come as the Obama administration debates the request of U.S. Gen. Stanley McChrystal, the top allied commander in Afghanistan, for tens of thousands more troops. Gen. McChrystal has warned of mission "failure" in the war unless adequate resources are provided to fight the spreading insurgency.

Already, 2009 has been the deadliest year of the conflict since it began in 2001, with insurgents engineering a number of high-profile assaults in cities throughout the country. According to icasualties.org, a Web site that tracks the war's toll, 293 American soldiers—more than in 2007 and 2008 combined—and 184 troops from Western allies died in Afghanistan this year.

On Saturday, Afghan militants struck the heart of Kabul, firing a rocket at the Kabul Serena, the country's only luxury hotel, as a meeting between high-ranking Afghan and Pakistani officials was taking place inside. The missile struck a guard post outside the compound, killing one official with the National Directorate of Security and wounding three policemen, said Kabul Police Chief Sayed Ghafar Sayebzada.

Afghan Defense Minister Abdul Rahim Wardak was meeting high-ranking officials from Pakistan in the Serena at the time, Mr. Sayebzada said. He wasn't hurt. The hotel came under a rocket attack last month, and was the target in 2008 of an insurgent raid that left six people dead.

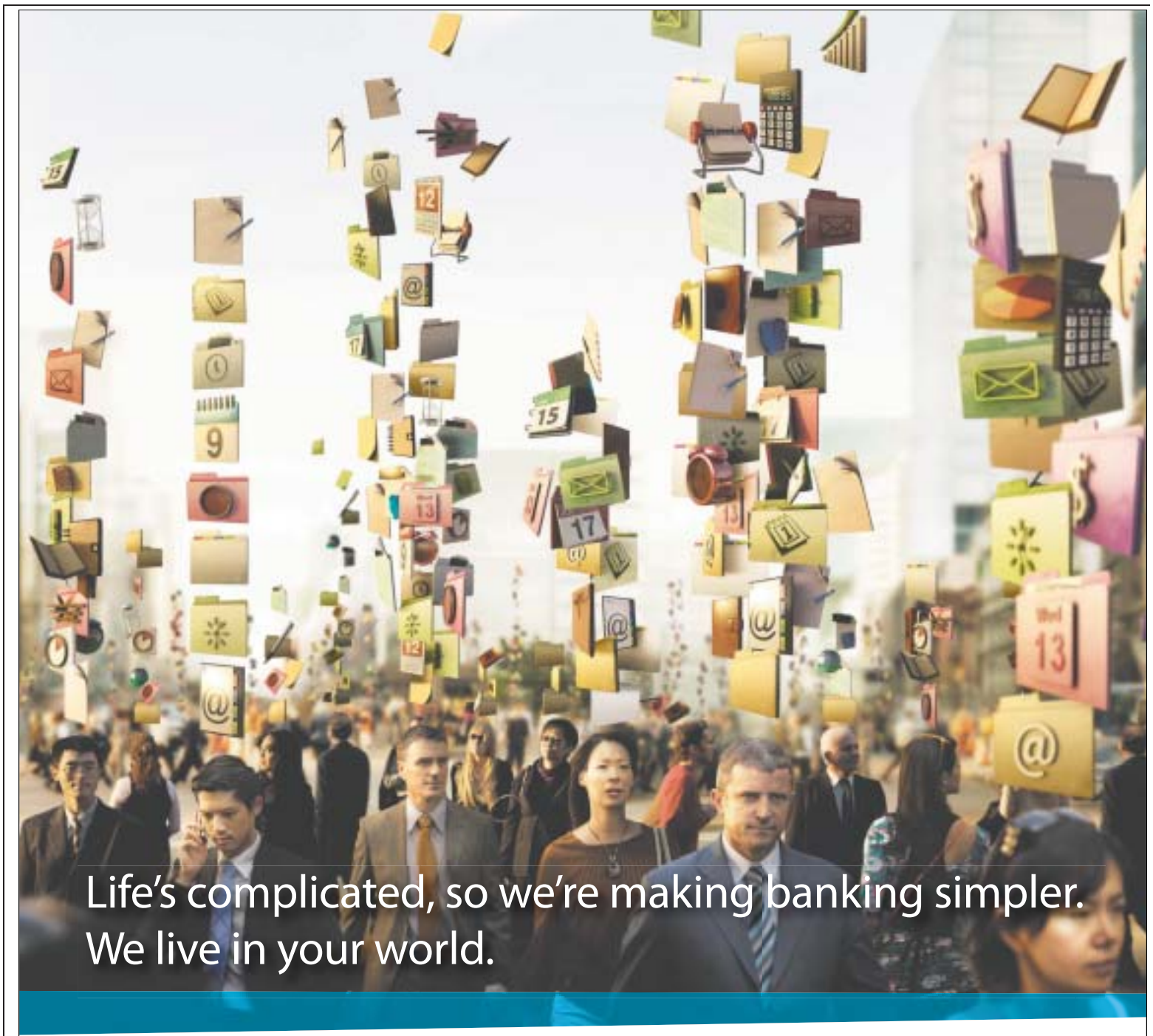
Late on Friday, a remote-controlled roadside bomb in the Paghman district near Kabul targeted prominent lawmaker and pro-Karzai warlord Abdul Rasul Sayyaf. While Mr. Sayyaf was unhurt, four of his bodyguards were killed, an interior ministry spokesman said. Mr. Sayyaf, a former mujahedeen commander who inspired the Abu Sayyaf Islamist militant group in southern Philippines, has been widely accused of human-rights violations.

Also Friday, a suicide bomber drove into a crowded market in Farah City, in the western part of the country, killing 16 people and injuring 26, local officials said. The compound of the governor of Farah province, Rohul Amin, who is seen as pro-U.S., is close to the market and may have been the intended target. The Taliban didn't claim responsibility, although they often don't when a large number of civilians are killed.

Dozens of Afghans have been killed in other recent incidents throughout the country, including a suicide strike in the southern province of Uruzgan that left 10 people dead on Thursday. On Sunday, the Taliban ambushed a group of Afghan police in the southern district of Spin Boldak, on the Pakistani border, killing five officers, according to local officials.

Associated Press

Afghan firefighters attempt to extinguish a burning fuel truck in Kunduz province on Saturday, following an attack.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WORLD NEWS

Senate votes to debate health care

Democrats, independents in the U.S. join to move forward with the $848 billion package crafted by Democratic leaders

By Greg Hitt

WASHINGTON—Democrats and independents closed ranks Saturday and voted to move forward with debate on landmark legislation that would overhaul the U.S.'s health system and extend health insurance to 31 million Americans.

The 60-39 Saturday vote came after a handful of undecided senators—centrist Democrats Mary Landrieu of Louisiana and Blanche Lincoln of Arkansas—signaled their readiness to begin action on the $848 billion package crafted by Democratic leaders.

The vote was a validation of Senate Majority Leader Harry Reid's strategy of building consensus first among party loyalists rather than reaching across the aisle to Republicans, a move that would have forced the Nevada Democrat to pare ambitions and push a more modest bill.

"They shouldn't be afraid to debate," said Sen. Reid, who was celebratory after the vote. "This is the United States Senate."

Republicans, who were threatening a filibuster to stall action, said the legislation would cost too much. "Move over, Bernie Madoff," said Sen. Christopher Bond (R., Mo.). "Tip your hat to a trillion-dollar scam."

In the final tally, all 58 Democrats, and the two independents allied with the party, joined together to move forward on the bill. The roll call was conducted with senators sitting at their desks, a rarely used show of decorum that underscored the significance of the vote. Thirty-nine Republicans were opposed. One Republican, Sen. George Voinovich of Ohio, didn't vote.

Getty Images

Senate Majority Leader Reid speaks at a news conference following the vote on health-care reform Saturday in Washington.

Sixty votes are needed in the 100-member Senate to end a filibuster. The vote set the stage for two to three weeks of debate in December and perhaps more in January, in a struggle that is sure to color the 2010 fight for control of Congress.

Mr. Reid said he took a call in the Senate cloakroom immediately after the vote from the widow of the late Sen. Edward Kennedy, the Massachusetts Democrat who devoted much of his career to the cause of health care. "Ted would be happy," Mr. Reid said, adding he sees the "finish line" ahead for the bill.

The push in the Senate follows approval in the House Nov. 7.

Republicans, who are vowing to use every tactic available to slow action and frustrate the White House's top domestic priority, portrayed the vote as an endorsement of the legislation. It includes new taxes and cuts in Medicare payments to health-care providers, in addition to an expansion of Medicaid, the federal-state health program for the poor, and new government subsidies to help lower- and middle-income people buy insurance.

Republicans beseeched wavering moderate Democrats not to fall into line, hoping to derail the bill and force Mr. Reid to deal more directly with the minority party. "Today in the Senate, we don't need 40 Democrats to stand up for what's right. We need just one," said Sen. Mike Johanns (R., Neb.).

But they couldn't get it.

Beginning Friday, the final undecided Democrats starting coming off the fence. First was Nebraska Democrat Ben Nelson, who said he didn't want to deny the voters in his state a voice on the issue. "The Senate owes them a full and open debate," he said.

Then came Sen. Landrieu. The Louisiana Democrat said Saturday the bill crafted by Sen. Reid isn't perfect, citing a need for more aid to help small businesses purchase insurance, among other things. But she said her concerns didn't merit standing in the way of action. "I've decided that there are enough significant reforms and safeguards in this bill to move forward, but much more work needs to be done," she said.

A few hours later, Sen. Lincoln of Arkansas took to the Senate floor. She also voiced concerns, noting she didn't favor the proposed government-run insurance plan "as it is written" in the bill. But Sen. Lincoln said she didn't intend to hold up debate, and complained Republicans—who are gunning for her defeat next year—were trying to "revive their political party" by opposing the initiative.

The outcome of debate in the Senate is the biggest uncertainty facing Democratic leaders and the White House. Not only do Republicans have big leverage to shape debate, but Democrats are not united on details, and difficult negotiations lie ahead.

Iran seeks to protect nuclear effort in drill

By Chip Cummins

DUBAI—Iran launched a five-day air-defense exercise Sunday, threatening retaliation against Israel in any attack and flexing its military might amid Western pressure over Tehran's nuclear program.

Brig. Gen. Ahmad Mighani, in charge of Iranian air defense, said Sunday that the exercise was being conducted with both Iran's conventional armed forces and the Islamic Revolutionary Guard Corps, across a swath of northern, southern and western Iran. Announcing the exercise on Saturday, Gen. Mighani said the drill was targeted specifically at preventing attacks on Iran's nuclear infrastructure.

The exercise comes as the West is significantly increasing pressure on Tehran following Iran's refusal so far to accept a nuclear-energy deal hammered out between Iranian negotiators and counterparts from the U.S., France, Russia and the International Atomic Energy Agency last month. The deal called for Iran to ship out the bulk of its low-enriched uranium, to be further enriched in Russia and returned to Iran for use in a medical-research reactor.

Iranian Foreign Minister Manouchehr Mottaki said last week Iran wouldn't ship its uranium out of the country, but was still open to talks about some sort of uranium exchange. Western powers reacted pessimistically to the comments, interpreting them as the clearest indication so far that Iran won't accept the deal without changes that the U.S. and other allies aren't likely to accept.

Iran's envoy to the IAEA on Sunday repeated an offer of a simultaneous exchange, inside Iranian territory, of low-enriched uranium for the higher-processed fuel. Such an exchange would allow Iranian officials a "guarantee" the exchange would take place, Iran's ISNA news agency quoted Ali Asghar Soltaniyeh as saying.

Western officials have taken the refusal by Iran to ship out uranium as an effective rejection of the pact. U.S. officials and allies say, however, that they will continue to leave the door open for talks.

U.S. President Barack Obama has suggested a year-end deadline for Iran to show good-faith efforts at nuclear negotiations. The U.S. and its allies fear Iran is building nuclear weapons, while Tehran maintains its nuclear program is geared toward peaceful energy and research.

After Mr. Mottaki's statement, Mr. Obama warned anew that Washington would push for sanctions against Iran if it wasn't satisfied with talks with Tehran. Israeli officials have warned they would take military action against Iran to prevent it from making a nuclear weapon.

—Charles Levinson in Jerusalem contributed to this article.

Ahmadinejad visit spurs Brazil flak

By John Lyons

SÃO PAULO, Brazil—Iranian President Mahmoud Ahmadinejad's coming trip to Brazil is spurring criticism of the country in Washington, souring a budding U.S.-Brazilian relationship that appeared to promise a period of unprecedented cooperation in Latin America.

Brazilian President Luiz Inácio Lula da Silva's planned reception of Mr. Ahmadinejad on Monday undercuts U.S. and European efforts to pressure Iran to curtail its nuclear program, boosting his stature at a critical moment in the talks, experts say.

Mr. Ahmadinejad's denial of the Holocaust, calls for Israel's destruction and repression of postelectoral protests have isolated him from the world's major economies—with Brazil as a big exception.

"Giving Ahmadinejad credibility by welcoming him is a terrible mistake," said Rep. Eliot Engel (D., N.Y.), a member of the U.S. House Foreign Affairs Committee who follows Brazil closely. "It makes you wonder if Brazil is really ready for the new era of global relations it envisions."

While Mr. Ahmadinejad has visited other Latin American nations, such as Venezuela, his trip to Brazil is more important. The increasingly global reach of Brazil's economy, now the world's eighth largest, has won the nation increasing clout in global affairs. Brazil has taken a leading role in international groups such as the World Trade Organization.

Expectations that Brazil would occupy an important new global role soared in April when President Barack Obama hailed Mr. da Silva as the "world's most popular politician." U.S. executives held out hopes for closer trade ties. U.S. officials sounded out Brazil as an emerging ally capable of refereeing regional disputes as well as cool off anti-U.S. leaders in the region such as Venezuela's Hugo Chávez. Some of the expectation has started to fizzle.

Getty Images

Brazil's Luiz Inácio Lula da Silva, left, and Mahmoud Ahmadinejad of Iran met in New York in September. The Iranian leader is scheduled to visit Brazil.

To the consternation of U.S. diplomats, observers say, Brazil has badgered the U.S. over a deal to use Colombian military bases amid the closure of a U.S. base in Ecuador. Though earlier appearing to accept the plan, Mr. da Silva reversed course and has requested that Mr. Obama travel to the region to provide additional explanations to regional leaders. Such a meeting hasn't happened.

After efforts led by the Organization of American States to mediate talks between ousted Honduran President Manuel Zelaya and the country's de facto government failed, Brazil has said it won't recognize elections set for Nov. 29, which the U.S. sees as a way out of the crisis.

But Brazil's cultivation of Iran may prove the biggest sticking point. Brazil, Iran's biggest Western trade partner, supports what it says is Iran's bid to develop nuclear power for peaceful uses. U.S. and European officials believe that Iran's true intention is to obtain a nuclear weapon, and are seeking to limit its program.

WORLD NEWS

Congress critical despite Fed's push

After the crisis, the U.S. central bank faces the prospect of the biggest changes to its operations since 1935

By Sudeep Reddy

WASHINGTON—The Federal Reserve's strategy to fend off a barrage of attacks from the U.S. Congress, largely centered on low-key diplomacy by Chairman Ben Bernanke, isn't succeeding so far.

Many Democrats and Republicans praise Mr. Bernanke for candor and accessibility. But some say the financial crisis—and public antipathy to the Fed—requires an overhaul of the central bank's responsibilities and tighter congressional oversight.

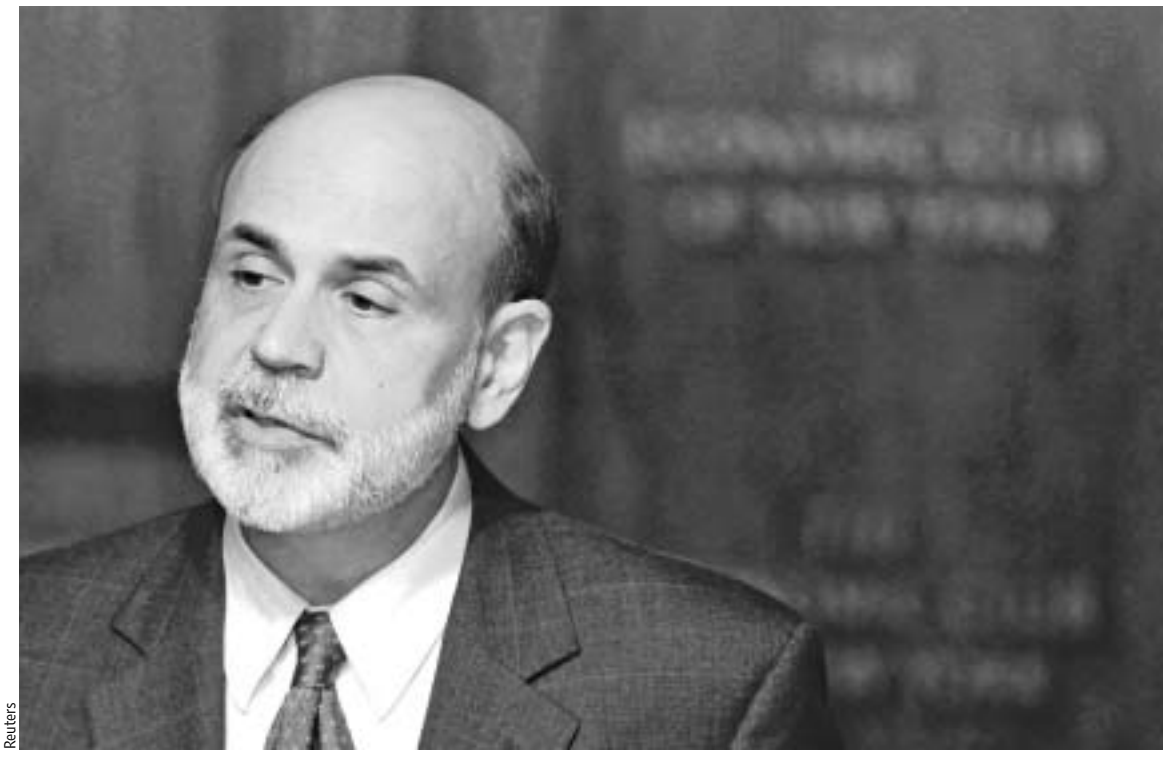
"Even though I'm a fan of Ben Bernanke, I do think that what happened during this last crisis did undermine some of the credibility of the Fed," said Sen. Bob Corker (R., Tenn.), who sits on the Senate Banking Committee.

The result: The Fed now faces the prospect of the biggest changes to its governing statute since 1935.

The Senate Banking Committee is considering legislation to strip the Fed of its role supervising big banks—despite the Fed's insistence that doing so would cripple its ability to prevent and manage financial crises. The House Financial Services Committee voted Thursday to undo a 1978 law that shields Fed interest-rate decisions from congressional auditors—overruling protests from Mr. Bernanke and predecessors Alan Greenspan and Paul Volcker, as well as the Obama administration and committee Chairman Barney Frank (D., Mass.).

Both chambers are moving toward altering the Fed's governance, particularly reducing the role that private bankers play in overseeing the 12 regional Fed banks created in 1913 as a counterbalance to the Fed board in Washington. And both houses are likely to embrace President Barack Obama's proposal to shift the Fed's financial consumer-protection duties to a new agency, arguing that the Fed failed to protect consumers during the housing boom.

Anger toward the Fed "seems to be at a fairly high pitch right now," said Alice Rivlin, a former Fed vice chair. "There's an anti-Fed mentality. Some of this anger is generalized and has to do with the bailouts and the rescue."



Reuters

Fed Chairman Ben Bernanke, shown last week at the Economic Club of New York, isn't succeeding in assuaging public anger at the central bank. A Senate committee is considering legislation to strip the central bank of its role supervising big banks.

For years, the Fed's legislative strategy relied largely on relationships Alan Greenspan built over a period of decades, both socially and professionally, with senior members of Congress from both parties. Mr. Bernanke, in contrast, isn't a Washington insider and didn't begin cultivating Congress until he succeeded Mr. Greenspan in 2006. Now the Fed is relying heavily on his personal credibility and the plaudits he gets—at least from some members of Congress—for helping to steer the U.S. economy away from the abyss last fall.

Earlier in the year, Mr. Bernanke went over the heads of the politicians to defend the Fed directly to the public, appearing on CBS's "60 Minutes," for instance. Recently, though, his public appearances have been more conventional, in part because of reluctance to challenge Congress directly before the Dec. 3 hearings in the Senate on his nomination for a second four-year term. Instead, he and other Fed governors have been meeting privately with members of Congress.

At a recent meeting, Mr. Bernanke was "not at all confrontational. He was in to listen to the points that were raised and to get a sense of what the Fed might be doing and where we were headed with financial reform," said Sen. Jack Reed (D., R.I.). "It was more or less just trying to identify issues we were concerned about and be prepared to respond."

The Fed's ability to influence Congress is diluted by public anger. A July 2009 Gallup Poll found only 30% Americans thought the Fed was doing a good or excellent job, a rating even lower than that for the Internal Revenue Service, which drew praise from 40%. Treasury Secretary Timothy Geithner, a former president of the Federal Reserve Bank of New York, is a stalwart Fed ally, but has his own credibility problems on Capitol Hill.

The persistence of antipathy to the Fed is alarming top officials at the central bank—and economists and business executives who believe a Fed independent of elected politicians is essential to avoiding inflation. The legislative provision that would allow the congressional Government Accountability Office to audit Fed monetary policy, pushed successfully in the House Financial Services Committee by Rep. Ron Paul (R., Texas), is causing particular alarm. Ms. Rivlin deemed it "quite dangerous with respect to the independence of the Fed."

"I think it is going to be seen as weakening the independence of monetary policy with consequent negative implications," Mr. Frank said, criticizing the Paul provision. "I think people will be worried about the impact on the dollar, on the interest rate—and I think that one may be revisited when we get to the floor."

During Mr. Greenspan's long tenure as Fed chairman, the Fed was celebrated for keeping unemployment and inflation low, but occasionally criticized for Mr. Greenspan's resistance to regulation. That criticism has grown as politicians and the public look for people to blame for the financial crisis and deep recession.

Mr. Bernanke's moves to tighten consumer regulation haven't deflected those attacks. "He has taken a more appropriate and aggressive role," said Sen. Reed. "But he's not going to be the chairman forever. We have to design a structure that will be responsive and effective regardless of the individuals who are leading the Fed."

Senate Banking Chairman Chris Dodd (D., Conn.) and like-minded senators, including Mr. Reed, say the Fed's independence in making monetary policy would be enhanced if it were forced to surrender banking supervision. Some usual Fed allies, Ms. Rivlin among them, agree.

But Charles Evans, president of the Federal Reserve Bank of Chicago, reflecting views of most current Fed officials, said Friday, "I worry that that would affect our ability to conduct monetary policy effectively." Without the ability to gather information on the financial system through bank supervision, he said, "I don't think we would know enough" about risks brewing in the economy and markets.

—Jon Hilsenrath and Sarah N. Lynch contributed to this article.

Rancor in climate-science talk

By Keith Johnson

The picture that emerges of prominent climate-change scientists from the more than 3,000 documents and emails accessed by hackers and put on the Internet last week is one of professional backbiting and questionable scientific practices. It could undermine the idea that the science of man-made global warming is entirely settled just weeks before a crucial climate-change summit.

Researchers at the Climatic Research Unit at the University of East Anglia, England, were victims of a cyberattack by hackers sometime Thursday. A collection of emails dating back to the mid-1990s as well as scientific documents were splashed across the Internet. University officials confirmed the hacker attack, but couldn't immediately confirm the authenticity of all the documents posted on the Internet.

The publicly posted material includes years of correspondence among leading climate researchers, most of whom participate in the preparation of climate-change reports for the Intergovernmental Panel on Climate Change, the authoritative summaries of global climate science that influence policy makers around the world.

The release of the documents comes just weeks before a climate-change summit in Copenhagen meant to lay the groundwork for a new global treaty to curb greenhouse-gas emissions and fight climate change. Momentum for an agreement has been undermined by the economic slump, which has put environmental issues on the back burner in most countries, and by a 10-year cooling trend in global temperatures that runs contrary to many of the dire predictions in climate models such as the IPCC's.

A partial review of the emails shows that in many cases, climate scientists revealed that their own research wasn't always conclusive. In others, they discussed ways to paper over differences among themselves in order to present a "unified" view on climate change. On at least one occasion, climate scientists were asked to "beef up" conclusions about climate change and extreme weather events because environmental officials in one country were planning a "big public splash."

The release of the documents has given ammunition to many skeptics of man-made global warming, who for years have argued that the scientific "consensus" was less robust than the official IPCC summaries indicated and that climate researchers systematically ostracized other scientists who presented findings that differed from orthodox views.

Since the hacking, many Web sites catering to climate skeptics have pored over the material and concluded that it shows a concerted effort to distort climate science. Other Web sites catering to climate scientists have dismissed those claims.

Tension between those two camps is apparent in the emails. Recent messages showed scientists were increasingly concerned about blog postings and articles on leading skeptical Web sites. Much of the internal discussion over scientific papers centered on how to pre-empt attacks from prominent skeptics.

Obama urges increase in U.S. exports to Asia

By Judith Burns

WASHINGTON--U.S. President Barack Obama, fresh from his first presidential trip to Asia, called for the U.S. to increase exports to that region, saying even small gains would help put many unemployed Americans back on the job.

"As we emerge from the worst recession in generations, there is nothing more important than to do everything we can to get our economy moving again and put Americans back to work, and I will go anywhere to pursue that goal," Mr. Obama said in his weekly radio address to the nation.

The president's remarks follow his four-nation tour of Japan, Singapore, China and South Korea, a trip he said was prompted largely by economic interests. Now back in the U.S., he promised to continue to focus on ways to combat U.S. unemployment.

Mr. Obama warned the U.S. shouldn't return to relying on growth fueled by consumer borrowing, urging the nation to spend less, save more and get the record federal deficit under control. He also called for a greater emphasis on exports, saying a 5% increase in U.S. exports to Asia would result in hundreds of thousands of U.S. jobs.

The president touted an upcoming White House forum on jobs and economic growth, where business executives and owners, labor unions, economists and financial experts will discuss ways to spur hiring and get the economy moving again.

"It is important that we do not make any ill-considered decisions--even with the best of intentions--particularly at a time when our resources are so limited. But it is just as important that we are open to any demonstrably good idea to supplement the steps we've already taken to put America back to work. That's what I hope to achieve in this forum," Mr. Obama said.

MANAGING

Building responsibility

Companies look to business schools to develop leadership practices; online community offers user-generated advice

By Alina Dizik

The Boston College Center for Corporate Citizenship created an invite-only online community this month for its member companies to directly share best practices on corporate responsibility.

In less than three weeks, 314 members joined a group of 226 who tested the system for six months. Center administrators expect this kind of exchange will attract even more companies to join the center—and pay as much as $10,000 a year for membership.

The community offers user-generated advice and access to a cadre of business studies from the center, part of Boston College's Carroll School of Management. School administrators say the online site was launched partly because companies were increasingly contacting the center for advice and information about what their peers were doing in the area of corporate social responsibility.

"We have leaned on them significantly," says Robert Chatwani, head of global citizenship at **eBay** Inc., who was part of the original test group.

With input from other members and business-school case studies, the online-auction company is finding ways to expand the reach of its social initiatives. For example, Ebaygreenteam.com, a site that points users to ecofriendly products, is now seen by millions of users as a result of tips from the online community to align its marketing with eBay's brand-name cachet, says Mr. Chatwani.

Like eBay, a growing number of companies are turning to business schools these days for help in redefining what it means to be socially responsible. School administrators say firms in industries across the board are looking to incorporate initiatives in this area into their business plans and everyday leadership decisions.

One reason for the heightened interest in social responsibility is that companies seeking to expand globally need to first understand what social issues matter most in their target countries, says Gil McWilliam, an executive director at Duke Corporate Education.

"If you are doing business in India, you are very aware of what's happening around you—businesses these days can't avoid it," she says. Since Duke began its custom executive-education offerings in 2000, about 40% of corporate clients have either discussed or taken on social initiatives, with a big chunk of those doing so for the first time this year, she adds.

Tim Robinson

In August, **International Business Machines** Corp. collaborated with Duke to offer Forward Looking Insights, a hands-on exercise to educate the firm's emerging leaders on the needs of the developing world, says Suzanne DeWitt, program director of education and leadership development.

Taught in Singapore, Madrid and Raleigh, N.C., the program aims to help company managers expand technology offerings and sell products abroad.

"It's very important that we go through that step in expanding their thinking," says Ms. DeWitt. "Certainly we are bringing [the concepts] down to earth, to their particular business unit and their role in the company."

For some companies, a renewed—or new—focus on social responsibility is necessary to build a stronger reputation locally and abroad. Kellie McElhaney, an adjunct assistant professor at the University of California Berkeley's Haas School of Business, says this kind of brand management can help positively shape a company's public image. A large part of her consulting in the past 18 months has been focused on helping companies highlight their social efforts to build their brand. She's currently working with a large retailer to highlight its longtime commitment to ethical products.

Indeed, 57% of consumers say a company or brand has earned their business because it supports good causes, according to a survey from Edelman, a public-relations firm.

MIT's Sloan School of Management is designing a custom course on sustainability for 12 executives and 120 directors at Itau Unibanco SA, a large financial-services company.

The program, which launches next year, will tackle concepts like understanding sustainability as a business opportunity and integrating sustainability into the evaluation of risk. Richard Locke, deputy dean at the school, says it is the first time a financial firm has asked MIT for this sort of extensive training.

Of course, when it comes to teaching corporate social responsibility, textbooks aren't always enough. The concepts—incorporating an ethical approach to business decisions and understanding the impact on surroundings—can be difficult to grasp for professionals focused on profits, losses and monetized strategic goals.

Ms. McWilliam says immersion and emotional influence make the most impact on developing a mind-set for incorporating responsible practices.

To that end, Duke is making an effort to harness internal resources at companies to foster learning and change—and to make the ideals more real for numbers-oriented managers. The school recently created a program pairing executives at an energy and mining company with the heads of its nonprofit environmental foundation so they can learn from each other.

The firm hopes leaders will understand the needs of a developing area by learning about its social and environmental factors, and that, in turn, this knowledge will help the company manage risk as it continues to expand internationally.

At Northwestern University's Kellogg School of Management, a module that simulates a corporate crisis component with a corporate social responsibility angle has become a popular add-on. For example, managers will spend class time re-enacting a scenario in which they react to environmental groups that have attacked their firm's reputation. Participants learn that "you have to integrate these moral quandaries with respect to the social issues fairly quickly," says Daniel Diermeier, a professor of management at Kellogg.

Last year, Mr. Diermeier taught the module to managers from more than 40 companies, up from about five in previous years. "It's an increasingly important part of managing," he says.

WSJ.com

ONLINE TODAY: Listen to Stanford Business School's dean discuss teaching social responsibility at **WSJ.com/careers**

Professor teaches managers to act for good of company, society

By Alina Dizik

Creating a course to teach corporate social responsibility isn't as easy to do as, say, honing a curriculum for Finance 101.

After all, integrating public and societal interests into corporate decision-making strategies is tricky. Teaching students to become socially responsible managers first requires dispelling previous notions about where personal values fit in the workplace, says Daylian Cain, assistant professor of organizational behavior at the Yale School of Management. Acting on your values is more complex than it might seem.

In an interview, Mr. Cain, who specializes in conflict of interest issues, spoke about imparting these ideals.

Excerpts:

WSJ: Critics say that corporate social responsibility is just a buzz word. What do you say?

Mr. Cain: There's some truth to that. Sometimes it's merely a marketing campaign. The question is: Is the message merely that you can do good by doing well, or is it that if you have the right marketing and the right branding, [then] it will pay. But the real question [for companies] is can you ever care about anything other than maximizing profits?

And will you give up the most profitable course of action if the second profitable course of action really aligns with shareholder values? That's a talk we have in the classroom.

These are not evil people in the boardroom, these are the kind of people who—on the weekends—don't litter.

WSJ: How should companies incorporate what you're teaching into their own social endeavors?

Mr. Cain: For companies, it's about using these smart people and leveraging assets to have better impact. I don't think that's happening now. A lot of corporate social responsibility is blindly cutting a check. I want [students] to be aware that they are part of a powerful organization and that they should leverage that.

There are a lot of firms that have corporate values—and those firms are investing in these kinds of endeavors.

WSJ: How does your new course 'Business Ethics Meets Behavioral Economics aim to help students?

Mr. Cain: Mixing behavioral economics with these kinds of corporate responsibility issues is an emerging trend.

We don't want to merely say lying is wrong; we are not trying to change people's values from evil to good.

Behavioral economics is such a great tool because it shows how people make bad decisions and separate their actions from their values. [Once they see this] we can show students all the ways they will fail even by their own standards.

WSJ : What kind of discussions do you have in the classroom?

Mr. Cain: A lot of students have mixed feelings about the purpose of business. [They wonder if it's] really only to make a profit. One of my jobs is to provide a safe space for sharing those views. One of the challenges is not merely to educate about these problems but to try to change behavior.

WSJ: How do you start these discussions in the classroom?

Mr. Cain: We talk about some famous cases. One case we discuss is Merck & Co. and the river blindness example. The company found a pill that didn't have much market value, but was a miracle cure that affected thousands of people [in a rural area]. We talked about how much the company addressed this disease even though it didn't seem profitable. This is about doing good because it's the right thing.

One might assume that Merck's generosity had reputational effects. Whether it [somewhat] paid off in the end or not, we must acknowledge that Merck might have done something different if it only cared about money.

TECHNOLOGY

Google outlines plans for its Chrome OS

Company hopes software will catch on and gradually replace conventional operating systems

By Jessica E. Vascellaro And Scott Morrison

Google Inc. said the first devices running its new Chrome operating system will be available by the end of 2010, as the company gave the first public peek of software that Google hopes will drive usage of Internet applications that include its own services.

Chrome OS is expected to initially run on small low-end laptops—known as netbooks—but Google expects the Chrome operating system will run on a broad range of computers over time, said Sundar Pichai, a Google vice president. He said the company is specifying what hardware features, such as chips and wireless cards, devices should have to run the software.

Mr. Pichai declined to say how much Chrome-optimized devices were expected to cost or to comment on potential business models. While the software will be available to hardware makers free, Google cofounder Sergey Brin said the company would negotiate business partnerships with companies that choose to use the Google brand.

The new operating system comes as Google looks for ways to diversify its business. Online advertising constitutes 97% of the company's $22 billion in annual revenue and efforts to cash in on its software applications and video-sharing site YouTube have generated limited results. Analysts say Chrome OS is an ambitious long-term strategic move, but any impact on the company's financial performance would be years away.

Chrome OS's most obvious target is **Microsoft** Corp., which has long dominated sales of operating systems for PCs. Google's offering has far fewer features than products like Microsoft's Windows; for one thing, it only works with Web applications, rather than programs installed on a computer.

In a statement, Microsoft said Google's product "appears to be in the early stages of development."

Google is hoping that Chrome OS will catch on as a better and faster way to use a computer, gradually replacing conventional operating systems. "There is a real user need to be able to use computers easily," Mr. Brin said.

Chrome OS boots up to bring consumers right into the company's Chrome Web browser. It stores users' data online, allowing them to access it from other devices. But the software will have some limited ability for users to perform tasks without Internet access, such as watching videos, the company said.

Mr. Pichai said Chrome OS can pull data from devices such as digital cameras and will support printing, one of the questions raised about the software in the past. He showed how users can store favorite applications, like Google's Gmail email service, as fixed tabs in the browser and watch videos and listen to music within panels that scroll up from the bottom of the screen. Google released the code behind Chrome OS to developers Thursday.

Bloomberg News

Google's new operating system comes as the company looks for ways to diversify its business.

What role the software might play in netbooks is an open question, since other non-Microsoft alternatives are being considered by hardware makers—including variants of Linux and software called Android that Google has mainly targeted at cellphones. **Dell** Inc., for example, is believed to have studied the use of Android in netbooks.

"Chrome is an interesting alternative," said Ron Garriques, the head of Dell's consumer-products division, in a statement Thursday. "It challenges how we think about Internet browsing."

Greg Sterling, an analyst with the research firm Sterling Market Intelligence, said the early success of Android has earned Google credibility among cellphone makers and would likely make computer-makers more receptive to Chrome OS.

"The benefit for hardware makers is that they will avoid the license fees they now pay to Microsoft and drive more sales by bringing prices down," he said.

—Justin Scheck contributed to this article.

EBay suffers disruption in run-up to holidays

By Geoffrey A. Fowler

EBay Inc.'s main e-commerce sites suffered sporadic failures Saturday, limiting shoppers' ability to search for products in the run-up to the crucial holiday shopping season.

Sellers began noticing problems with eBay's search system Saturday morning. At 11:17 a.m. Pacific time, the company posted a note stating, "We are experiencing some issues with a delay in search being displayed."

A subsequent note from eBay stated that the search system was having difficulty "due to errors in some of our backend systems."

By late afternoon, searches for "iPod" on eBay's U.S. site resulted in zero results, and an error message.

"The unanticipated technical issue resulted from a surge in live listings as sellers ramp up for the holiday season," said John Pluhowski, an eBay vice president.

Search functions appeared to have been restored by Sunday.

An eBay note had suggested working around the problem by using the site's advanced search option or by clicking on a "Buy it Now" tab after a conventional search yielded no results.

Saturdays typically account for about 11% of eBay's weekly sales, according to ChannelAdvisor Corp., a company that helps merchants sell on eBay and other e-commerce sites. But the run-up to the holiday shopping period around Thanksgiving is more important than other times for eBay merchants, said ChannelAdvisor Chief Executive Scot Wingo. "Sellers are nervous about...what it means for the next 30 days," Mr. Wingo said.

Over the last two years, eBay has been attempting to regain its mantle as the world's leading online shopping destination by reforming the rules of buying and selling on its marketplace. Earlier this month, it launched a multimedia marketing campaign featuring the tag line "Come to the think of it, eBay."

Reuters

An advertisement promotes an eBay app for Apple's iPhone.

SCIENCE

Scientists treat experiments as team sport

Massive collider—a global collaboration—has a bumpy start, but sometimes the work of crowds yields wisdom

By Robert Lee Hotz

Researchers powered up the Large Hadron Collider—a $6 billion particle accelerator near Geneva—on Friday. The atom smasher is so large that a brief status report lists 2,900 authors, so complex that scientists in 34 countries have readied 100,000 computers to process its data, and so fragile that a bird dropping a bread crust can short-circuit its power supply—as occurred earlier this month.

SCIENCE JOURNAL

Far from trouble-free, the proton accelerator is resuming operations after a catastrophic breakdown in 2008 that triggered a year of repairs and recriminations. Its large research teams operate on such an elaborate scale that project management has become one of science's biggest challenges.

Around the world, scientists are cutting across boundaries of place, organization and technical specialty to conduct ever more ambitious experiments. Inspired by such cooperative enterprises as Linux and Wikipedia, they are encouraging creative collaborations through networks of blogs, wikis, shared databases and crowdsourcing.

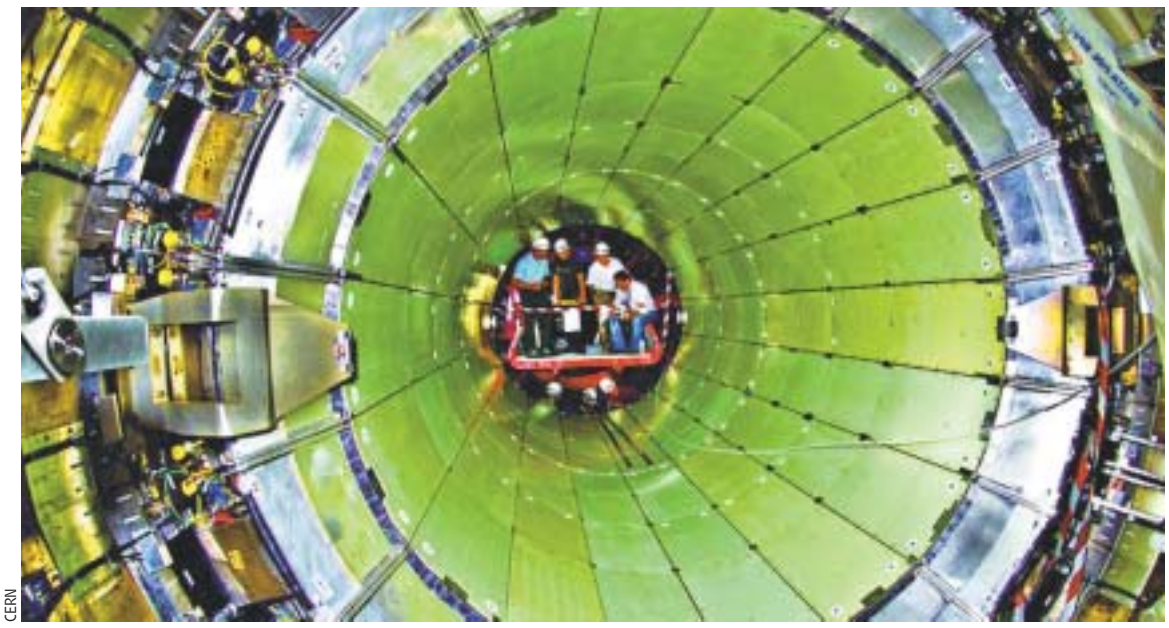
Once a mostly solitary endeavor, science in the 21st century has become a team sport. Research collaborations are larger, more common, more widely cited and more influential than ever, management studies show. Measured by the number of authors on a published paper, research teams have grown steadily in size and number every year since World War II.

To gauge the rise of team science, management experts at Northwestern University recently analyzed 2.1 million U.S. patents filed since 1975 and all of the 19.9 million research papers archived in the Institute for Scientific Information database. "We looked at the recorded universe of all published papers across all fields, and we found that all fields were moving heavily toward teamwork," says Northwestern business sociologist Brian Uzzi.

As research projects grow more complicated, management becomes a variable in every experiment. "You can't do it alone," says research management analyst Maria Binz-Scharf at City College of New York. "The question is how you put it all together."

The key is bringing the people together in the first place, which has sped technological advancements that often benefited the rest of us. The ease of global business and social networking today owes much to the World Wide Web, which was designed to aid information-sharing between scientists. It was invented at the European Organization for Nuclear Research (CERN), the home of the Large Hadron Collider.

New online science management experiments are under way. Last year, the National Science Foundation started a $50 million project to map all plant biology research, from the level of molecules to organisms to entire ecosystems, so scientists can swoop through shared data as if they were using Google Earth. Last month, U.S. computer experts launched a $12 million federal project to create a national biomedical network called VIVOweb to encourage collaborations.



CERN

Researchers ready the Large Hadron Collider, which physicists hope will reveal the forces that shaped the universe.

Scientists are experimenting with the new technology of teamwork even in mathematics, where researchers customarily work alone.

Last January, British mathematician Timothy Gowers invited volunteers to work on a problem in combinatorial research called the density Hales-Jewett theorem, which he posted at his Polymath Project blog. By brain-storming together online, two dozen volunteers solved the problem in 37 days. "This way of doing research led to our finding the proof much more quickly than otherwise," says Dr. Gowers at Cambridge University.

Other scientists team up out of frustration. Biology students created an online collaboration called OpenWetware to share technical tips about cell lines, enzymes, protocols and screening assays. "This stuff is never published," says Sriram Kosuri at the Harvard University Institute of Genetics, who was among its organizers. "We wanted to get this information into the open."

Since 2005, the project has grown into an online collaborative of 7,000 registered users on five continents and 65,000 Web pages—all with little or no direct management. "Everyone uses it for their own purposes and it grows organically," says Dr. Kosuri.

In that spirit, paleontologist Michael Taylor at the University College London recently set up the Open Dinosaur Project, encouraging volunteers to create an online database of dinosaur bones from collections world-wide. "The whole nature of the scientific engagement is changing dramatically and quickly," Dr. Taylor says.

By many measures, the Large Hadron Collider is the largest machine in the world. It is designed to smash together proton beams to test ultimate theories of matter. Its science teams, drawing on independent researchers, resources and funds from 150 universities and dozens of government agencies, already transcend the physics of conventional management.

Strictly speaking, no one is in charge.

Consider Tejinder Virdee, who occupies the top spot in the organizational chart of the collider's Compact Muon Solenoid detector—an intricate 12,500-ton device the size of a medieval cathedral. At least 3,600 people from 183 institutes in 38 countries are involved. Ordinarily, Dr. Virdee might exercise considerable executive authority. Instead, he carries the misleading title of "spokesperson." He was elected by researchers to negotiate with other groups on their behalf.

He has no power to order or insist, only to cajole and persuade. "I cannot direct anybody to do anything that they do not want to do," Dr. Virdee says. "All decision-making is by consensus." Yet, he is more or less the boss—at least of this component.

All around the collider, research groups organized themselves in democratic cooperatives, arranged in an anti-hierarchy. All deliberations are open—and exhaustive. Everyone gets their say no matter how long it takes. "It is bottom-up and not top-down," says Markus Nordberg, who is the resource coordinator—essentially the chief financial officer—for the collider's ATLAS detector. The ATLAS detector weighs as much as the Eiffel Tower and is among the largest collaborations ever attempted in the physical sciences.

"None of them can do the research without each other," says Barbara Gray, a management analyst at Pennsylvania State University. "No one can play with the Large Hadron Collider unless they all play together."

In one sign of trust, the scientists who designed the systems relied on technologies that did not yet exist, delaying key decisions as long as practicable in the expectation someone would invent a way out of the problem. "There is enough confidence in the community that the technical problems will be solved at the last possible affordable moment," says Dr. Nordberg. "That is not the way industry works."

If all performs as planned, research teams will equally share the data and the credit.

For all their skill, the scientists starting up the Large Hadron Collider have encountered any number of operational glitches this year and, perhaps, one unique obstacle. The accelerator is expected to unleash forces so fundamental—even a black hole, some fear—that a few physicists fret the universe may be sabotaging the project to protect itself.

See a video on the Large Hadron Collider and scientific partnership, at WSJ.com/ScienceJournal. Email Robert Lee Hotz at sciencejournal@wsj.com.

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AIG and Systemic Risk

TARP Inspector General Neil Barofsky keeps committing flagrant acts of political transparency, which if nothing else ought to inform the debate going forward over financial reform. In his latest bombshell, the IG discloses that the New York Federal Reserve did not believe that AIG's credit-default swap (CDS) counterparties posed a systemic financial risk.

Hello?

For the last year, the entire Beltway theory of the financial panic has been based on the claim that the "opaque," unregulated CDS market had forced the Fed to take over AIG and pay off its counterparties, lest the system collapse. Yet we now learn from Mr. Barofsky that saving the counterparties was not the reason for the bailout.

In the fall of 2008 the New York Fed drove a baby-soft bargain with AIG's credit-default-swap counterparties. The Fed's taxpayer-funded vehicle, Maiden Lane III, bought out the counterparties' mortgage-backed securities at 100 cents on the dollar, effectively canceling out the CDS contracts. This was miles above what those assets could have fetched in the market at that time, if they could have been sold at all.

The New York Fed president at the time was none other than Timothy Geithner, the current Treasury Secretary, and Mr. Geithner now tells Mr. Barofsky that in deciding to make the counterparties whole, "the financial condition of the counterparties was not a relevant factor."

This is startling. In April we noted in these columns that Goldman Sachs, a major AIG counterparty, would certainly have suffered from an AIG failure. And in his latest report, Mr. Barofsky comes to the same conclusion. But if Mr. Geithner now says the AIG bailout wasn't driven by a need to rescue CDS counterparties, then what was the point? Why pay Goldman and even foreign banks like Societe Generale billions of tax dollars to make them whole?

Treasury Secretary Geithner says credit-default swaps weren't the problem, after all.

Both Treasury and the Fed say they think it would have been inappropriate for the government to muscle counterparties to accept haircuts, though the New York Fed tried to persuade them to accept less than par. Regulators say that having taxpayers buy out the counterparties improved AIG's liquidity position, but why was it important to keep AIG liquid if not to protect some class of creditors?

Thursday, Mr. Geithner introduced a new explanation, which is that AIG might not have been able to pay claims to its insurance policy holders: "AIG was providing a range of insurance products to households across the country. And if AIG had defaulted, you would have seen a downgrade leading to the liquidation and failure of a set of insurance contracts that touched Americans across this country and, of course, savers around the world."

Yet, if there is one thing that all observers seemed to agree on last year, it was that AIG's money to pay policyholders was segregated and safe inside the regulated insurance subsidiaries. If the real systemic danger was the condition of these highly regulated subsidiaries—where there was no CDS trading—then the Beltway narrative implodes.

Interestingly, in Treasury's official response to the Barofsky report, Assistant Secretary Herbert Allison explains why the department acted to prevent an AIG bankruptcy. He mentions the "global scope of AIG, its importance to the American retirement system, and its presence in the commercial paper and other financial markets." He does not mention CDS.

Timothy Geithner

All of this would seem to be relevant to the financial reform that Treasury wants to plow through Congress. For example, if AIG's CDS contracts were not the systemic risk, then what is the argument for restructuring the derivatives market? After Lehman's failure, CDS contracts were quickly settled according to the industry protocol. Despite fears of systemic risk, none of the large banks, either acting as a counterparty to Lehman or as a buyer of CDS on Lehman itself, turned out to have major exposure.

More broadly, lawmakers now have an opportunity to dig deeper into the nature of moral hazard and the restoration of a healthy financial system. Barney Frank and Chris Dodd are pushing to give regulators "resolution authority" for struggling firms. Under both of their bills, this would mean unlimited ability to spend unlimited taxpayer sums to prevent an unlimited universe of firms from failing.

Americans know that's not the answer, but what is the best solution to the too-big-to-fail problem? And how exactly does one measure systemic risk? To answer these questions, it's essential that we first learn the lessons of 2008. This is where reports like Mr. Barofsky's are valuable, telling us things that the government doesn't want us to know.

In remarks Tuesday that were interpreted as a veiled response to Mr. Barofsky's report, Mr. Geithner said, "It's a great strength of our country, that you're going to have the chance for a range of people to look back at every decision made in every stage in this crisis, and look at the quality of judgments made and evaluate them with the benefit of hindsight." He added, "Now, you're going to see a lot of conviction in this, a lot of strong views—a lot of it untainted by experience."

Mr. Geithner has a point about Monday-morning quarterbacking. He and others had to make difficult choices in the autumn of 2008 with incomplete information and often with little time to think, much less to reflect. But that was last year. The task now is to learn the lessons of that crisis and minimize the moral hazard so we can reduce the chances that the panic and bailout happen again.

This means a more complete explanation from Mr. Geithner of what really drove his decisions last year, how he now defines systemic risk, and why he wants unlimited power to bail out creditors—before Congress grants the executive branch unlimited resolution authority that could lead to bailouts ad infinitum.

The End of America's Health Savings Accounts

About the best that can be said about the Senate health-care bill that Harry Reid revealed last week is that it's marginally less destructive than the House monster. By a hair. Its $1.2 trillion cost (more like $2.5 trillion if you discount the accounting gimmicks), multiple and damaging new taxes, and new regulations will make health insurance more expensive for most Americans while reducing the quality of medical care.

We'll dissect the damage in the days to come. But for today let's focus on the damage the bill would do to consumer-driven health plans—the kind that give individuals more control over their health dollars and insurance choices. The 2,074-page bill crushes them with malice-aforethought.

Harry Reid

Start with its attack on flexible spending accounts that are an important part of many employer plans. Flex accounts let employees set aside some portion of their pre-tax pay for out-of-pocket costs or medical services that their insurance plan doesn't cover, such as a child's orthodontics or testing supplies for diabetics. The Reid bill caps these now-unlimited accounts at $2,500 per year and imposes new restrictions on qualifying medical expenses, raising some $5 billion by exposing income above the non-indexed cap to taxes.

Democrats say flex accounts encourage wasteful spending, because an arbitrary "use it or lose it" rule doesn't allow balances to roll over year to year. But they really hate them because they give consumers a more active role in managing spending, instead of having the government decide.

The Senate bill would crush consumer-driven health plans like flex accounts and HSAs.

The Reid bill also assaults health savings accounts, or HSAs, which allow individuals to accumulate tax-free funds for future medical expenses when coupled with low-premium, high-deductible insurance. The Reid bill changes tax provisions to make HSAs less attractive, but the real threat comes via increased regulation.

These insurance products will likely be barred from the insurance "exchanges" that will demolish and supplant today's individual market. Employers will also find them more difficult if not illegal to offer once the government has new powers to "define the essential health benefits" that all plans must eventually offer. Plans that focus mainly on catastrophic health expenses, instead of routine procedures, aren't generous enough for Democrats.

Liberals claim people who choose these options aren't helping as much to finance a common pool and may encourage adverse selection if too many young or healthy people opt out. While all insurance involves some degree of risk-sharing, Democrats want to impose true social insurance a la Europe by obliterating the flexibility of insurers to design products that are tailored to suit different individual needs.

In fact, about 40% of tax filers with HSAs earn under $60,000, according to the IRS. The Employee Benefit Research Institute reports that 4% of adults with private insurance have an HSA this year—up from 1% in 2006—and about 9% are enrolled in some form of consumer-directed health plan. It also found that beneficiaries are evenly split between those with health problems and those without.

The Blue Cross Blue Shield Association, whose members dominate the HSA market, says that enrollees are more likely than those with traditional insurance to be better consumers. They're more likely to track expenses (63% to 43%), save for the future (47% to 18%), and search for information on physician quality (20% to 14%). They're also more likely to participate and see results from wellness programs like weight loss, fitness and smoking cessation. This makes intuitive sense: They've got skin directly in the game.

David Goldhill, a media executive, recently wrote in the Atlantic Monthly that if a 22-year-old starts at his company today earning $30,000 and health costs grow at 3%, by the time he retires he'll have paid out $1.77 million in premiums, lower wages, out-of-pocket costs and both sides of the Medicare payroll tax.

If all that money were instead available via an HSA, including by borrowing against future contributions, "wouldn't you be able to afford your own care?" Mr. Goldhill asks. "And wouldn't you consume health care differently if you and your family didn't have to spend that money only on care?"

This is precisely the future liberals fear because it would make health care less susceptible to political control. The Reid bill makes it impossible for people to choose better reform alternatives, the ones that can only be discovered through innovation and competition in a dynamic marketplace.

Not that any of this seems to matter at this stage of the health-card debate. The polls show the public opposes the Democratic bills, President Obama is below 50% job approval in the Gallup poll, and business and medical providers are increasingly horrified at what reform will do to consumers and patients. But so what? This is about putting government in charge of health care, whether Americans like it or not.

OPINION

The Weekend Interview with Meb Keflezighi / By Bari Weiss

Running Man

When Meb Keflezighi finished the New York City Marathon in two hours, nine minutes and 15 seconds the morning after Halloween, he became the first American to win the race in 27 years. But some spectators apparently missed the three red letters on his chest as he burst through the tape.

The New York City Marathon champion on running, religion and what it means to be an American.

Keflezighi is only "technically American," argued CNBC sports writer Darren Rovell. He's "like a ringer who you hire to work a couple hours at your office so that you can win the executive softball league."

Though Mr. Rovell has since backtracked, nobody recalls similar comments about Alberto Salazar, the Cuban-born American who won in 1982. And if Meb's name was Joe Smith and he was born in England rather than Eritrea, few would have questioned his national identity.

When I meet Meb the morning after his appearance on the David Letterman show—almost as great as winning the race, he quips—he is unbothered by the debate raging on the Web about his American-ness. "What's the list of things you need to be an American?" he asks rhetorically. "You live here, you pay taxes, you live by the American way. I've been here for 22 years. I'm as American as you can get."

Talking to the 5-foot-6-inch athlete as he is massaged, iced, stretched and bent by his physical therapist on the Upper West Side, I could easily forget that he is one of the fastest men in the world. Unlike so many other professional athletes—huge in ego and stature—Meb is modest in both.

Which is not to say the 34-year-old isn't thrilled about winning his first marathon. Yet he's quick to add: "It's a big honor. With fame and with winning comes responsibility." Meb doesn't see the need to be a role model as a choice: "You have to. People are following you whether you like it or not."

It's almost too convenient to chalk up Meb's character to his upbringing. Nevertheless, like so many other immigrant success stories, understanding Meb's parents and their values is essential to understanding who he is. Born in 1975, Mebrahtom (his full name means "let there be light") grew up in an Eritrean village with no electricity and no running water. Besides poverty, Meb's parents, Russom and Awetash, feared for their family's safety because of Russom's involvement with the Eritrean Liberation Movement and because of the ongoing war with Ethiopia. Meb's father decided to flee. "He walked all the way"—60 miles—to Sudan, Meb says. Russom eventually made his way to Milan, Italy, where he worked to raise the money to bring his family out of East Africa.

On Oct. 21, 1987, a date that rolls off Meb's tongue, the family immigrated to San Diego as refugees with the help of the Red Cross and the sponsorship of Meb's half-sister, Ruth. "Dad used to wake up at 4 a.m. so we could learn English," Meb says. "He worked as a taxi driver and worked in restaurants to be able to feed the family."

Meb adds, "You start on the bottom, work hard, and your dreams will come true—and that's what happened. We have a very successful family because my parents always emphasized using the opportunity you have to the maximum: 'There are a lot of people that don't have this opportunity, so make sure you use it.' That stuck in our head."

They stressed school to their 11 children. "Sports was not in our blood or in our family," Meb says. "So it was 'Do what you can and work hard. Your teachers are your parents when you are at school. They want the best for you, so make sure you listen to them."

That ethic was key to Meb's success. "When I started running for the first time—seventh grade—I wanted to get that A, just like my parents taught me."

Meb had never run in his native country and had no concept of running as a sport. But his family's San Diego apartment was down the road from Morley Field where the national Foot Locker high school championship is held. "When I saw them running, the high school champions, I was like 'What are these crazy people running for?' They're not chasing a soccer ball or anything else."

Meb's two older brothers decided to take up the sport, he says, and "I just followed in their footsteps." At 12, he ran his first mile. He clocked in at five minutes and 20 seconds—with no training.

By his senior year in high school, he says, "I ended up being one of those crazy guys running in the national championships." From San Diego High School, he went off to UCLA. Bob Larsen, who has remained his coach until today, offered the straight-A state champion a full ride. There he became a four time NCAA champion. And in 1998, the year he graduated, he became a citizen.

* * *

If Meb sounds old school, that's because he is. His message for young people is simple: "Life is precious. Do something that is optimistic—that is good for society. Don't sit on the couch." His determined training has helped him defy people's expectations. At the 2004 Olympics in Athens, Meb was ranked 39th out of 101 runners. He walked away with the silver medal with high hopes for the Beijing Olympics.

The Olympic trials in 2007 brought no such victory. Not only did Meb not make the Beijing team—he finished eighth—he fractured his hip during the race. Then there was the terrible tragedy of Ryan Shay's death. The rising marathon star and Meb's close friend suffered a massive heart attack during the race. During this year's marathon, Meb crossed himself in the spot where Shay went down.

"The darkest part of my running career was last year," he says. "I could have easily hung it up." Recovering from the hip fracture took a year and a half of intensive therapy and "hard work." But "hard prayer" was also crucial for Meb, who, like his parents, is a deeply religious Christian. Though his training schedule doesn't always allow him to make it to church every Sunday, he makes time for prayer "every day before I go to sleep and every day before I get up." He also uses the 15 minutes he spends in the ice bath for reflection: "Every day in the ice bath is my God time," he says.

Zina Saunders

Meb lives and trains in Mammoth Lakes, Calif., a hub for distance runners because of the high altitude. Though the distance varies from day to day, there is no escaping the reality that marathon training is every day, approximately 130 miles a week. Sundays, Meb runs at least 20 miles, sometimes up to 27 or 28 miles. Thursday is a recovery day, "which means you run just 10 miles in the morning and then a few in the afternoon." Fridays are a "simulation of what the marathon will be like: He runs "race pace or faster anywhere from eight to 15 miles." He also bikes and lifts weights, though he has to be careful not to build up too much muscle. "For 26.2 miles, you want to be a lean, mean machine."

"During practice," he says, "probably 90% is physical and 10% is mental. When it comes to race day, it switches because you know your body is ready and then you have to use your head to be able to perform."

To pump him up for this year's race, Mr. Larsen encouraged Meb to pretend he was "going on a long run with his buddies. Relax for the first hour and get to work after that." Marathons, Meb says, "are about patience and even pace."

He followed that strategy on Nov. 1, sticking with the elite pack, even allowing himself to drift a few feet behind the front runner. The wind, he says, was the hardest part of the race. But Meb realized he was in a fantastic spot as he ran up Fifth Avenue. "With two miles to go, I knew I had it in the bank," he says. As he entered Central Park at 90th Street, he saw his opening and pulled ahead of four-time Boston Marathon champ Robert Cheruiyot of Kenya.

British marathon champion Paula Radcliffe has said that she sometimes counts her steps during marathons—300 steps in a mile. "I do not count my steps at all," says Meb. "I take in what the crowd is doing—screaming Go USA, or Go Meb! The crowd is always going to get you through the good and the bad." And the New York crowd, he says, is simply "the best that there is."

* * *

As Meb ran through the finish line to screaming crowds, he crossed himself and kissed the ground. Seeing his wife, Yordanos, put him over the edge.

"When she saw me—I can't put it into words," he says. "Here's a guy that couldn't walk, that couldn't turn in bed because of my hip fracture . . . so when we saw each other we just broke down in tears." Meb credits his wife, who is also a native of Eritrea, as critical to his ability to perform. "She is seven months pregnant, we have two kids, and I'm the one who's taking a nap. She's very unselfish. She's been a big part of this success." When he met her, right before the 2004 Olympic trials, "we just clicked about God and family and perseverance."

As he allows his body to recover—with ice baths, eating the right protein, and physical therapy—he is focused on his next races. The 2012 Olympics are a clear goal. Many are speculating that he might go for a win in Boston this April. "I really think I can do it. I've done it once and I finished third. Now I know the course and I'm healthy." How much time can he shave off? "The body can do amazing things. I still believe my best times are ahead of me."

Meanwhile, he's savoring his win. And next week, he'll be back to New York, this time for the Macy's Thanksgiving Day Parade. Meb will be riding with Miss America—on the Statue of Liberty float.

Ms. Weiss is an assistant editorial features editor at the Journal.

Stop Picking on Fat People

BY JOE QUEENAN

The debate regarding the American "obesity plague" has taken on an increasingly rancorous tone. On one side are those who believe the health-care system cannot be repaired without addressing the strains placed on it by the seriously overweight. On the other side are those of a Rubenesque stature who are enraged that they are routinely the targets of catcalls, epithets and even job discrimination, and who have had it up to here with the fatty jokes.

Lost in all this is an appreciation of how much the chubby, the plump, the tubby and even the massively overweight have contributed to society down through the ages. Johann Sebastian Bach, viewed by many as the greatest composer who ever lived, was a charter member of the Clean Plate Society. And anyone who has ever seen a statue of Gautama Buddha realizes that he too knew how to hold up his end of the feedbag.

Those of us who are overweight, have been overweight, or have close friends and relatives who are overweight understand that carrying a few extra pounds does not necessarily make a person any less effective as an employee, a spouse, a parent or a citizen. History bears this out. Where would jazz be without the seminal influence of Louis Armstrong, the greatest trumpeter of them all? And how do we know that it was not those few extra pounds that gave him the pep to belt out such crowd-pleasing numbers as "St. James Infirmary" and "Hello, Dolly"?

It's all well and good to say that excess weight puts a strain on the heart, leads to premature deaths, and dramatically inflates our national health-care bill. But the very same arguments can be applied to workaholics, alcoholics or garden-variety idiots, none of whom violate any specific law by indulging in a lifestyle others deplore. And once a society starts down the slippery slope toward deciding which behaviors are acceptable and which are not, it's time to assemble kindling for the funeral pyre of democracy.

I am not making the argument that obesity is to be encouraged, much less extolled. What I am saying is that in many cases carrying a few extra pounds may make an individual more productive and even happier. And quite often society is the principal beneficiary of this added ballast. Without the pleasingly plump Catherine the Great, Russia might have remained a benighted backwater forever. And without the roly-poly Winston Churchill, whose icy aplomb in the face of the Nazi onslaught made him the most admired public figure of the 20th century, we might all be speaking German. As the feisty old Lion of Britain might have put it himself, "Let he who is without sin cast the first scone."

Churchill, by the way, was a smoker.

Mr. Queenan, a satirist, is the author, most recently, of the memoir "Closing Time" (Viking, 2009).

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OPINION

President Obama Didn't Impress Asia

By John Bolton

Barack Obama's first visit to Asia since his inauguration was one of the most disappointing trips by any U.S. president to the region in decades, especially given media-generated expectations that "Obamamania" would make it yet another triumphal progression. It was a journey of startlingly few concrete accomplishments, demonstrable proof that neither personal popularity nor media deference really means much in the hard world of international affairs.

China and others know exactly how to take advantage of a 'post-American' President.

The contrast between Asia's reception for Obama and Europe's is significant. Although considered a global phenomenon, Obamamania's real center is Europe. There, Mr. Obama reigns as a "post-American" president, a multilateralist carbon copy of a European social democrat. Asians operate under no such illusions, notwithstanding the "Oba-Mao" T shirts briefly on sale in China. Whatever Mr. Obama's allure in Europe, Asian leaders want to know what he means for peace and security in their region. On that score, opinion poll ratings mean little.

What the president lacked in popular adulation, however, he more than made up for in self-adulation. In Asia, he labeled himself "America's first Pacific president," ignoring over a century of contrary evidence. The Pacific has been important to America since the Empress of China became the first trading ship from the newly independent country to reach the Far East in 1784. Theodore Roosevelt created a new Pacific country (Panama) and started construction on the Panama Canal to ensure that America's navy could move rapidly from its traditional Atlantic bases to meet Pacific challenges. William Howard Taft did not merely live on Pacific islands as a boy, like Obama, but actually governed several thousand of them as Governor-General of the Philippines in 1901-1903. Dwight Eisenhower served in Manila from 1935 to 1939, and five other presidents wore their country's uniform in the Pacific theater during World War II—two of whom, John F. Kennedy and George H.W. Bush, very nearly perished in the effort.

But it was on matters of substance where Mr. Obama's trip truly was a disappointment. On economics, the president displayed the Democratic Party's ambivalence toward free trade, even in an economic downtown, motivated by fear of labor-union opposition. On environmental and climate change issues, China, entirely predictably, reaffirmed its refusal to agree to carbon-emission limitations, and Mr. Obama had to concede in Singapore that the entire effort to craft a binding, post-Kyoto international agreement in Copenhagen had come to a complete halt.

On U.S. national security, Mr. Obama came away from Beijing empty-handed in his efforts to constrain both the Iranian and North Korean nuclear weapons programs, meaning that instability in the Middle East and East Asia will surely grow. In Japan, Mr. Obama discussed contentious issues like U.S. forces based on Okinawa, but did not seem in his public comments to understand what he and the new Japanese government had agreed to. Ironically, his warmest reception, despite his free-trade ambivalence, was in South Korea, where President Lee Myung-bak has reversed a decade-long pattern by taking a harder line on North Korea than Washington.

Overall, President Obama surely suffered his worst setbacks in Beijing, on trade and economics, on climate change, and on security issues. CNN analyst David Gergen, no conservative himself, compared Mr. Obama's China meetings to Kennedy's disastrous 1961 encounter with Soviet leader Nikita Khrushchev in Vienna, a clear indicator of how poorly the Obama visit was seen at home.

AFP

Not quite seeing eye to eye: Barack Obama meets with Premier Wen Jiabao in Beijing.

The perception that Mr. Obama is weak has already begun to emerge even in Europe, for example with French President Nicholas Sarkozy, and if it emerges in Asia as well, Obama and the U.S. will suffer gravely.

Many media analysts attributed the lack of significant agreements in Beijing to the "rising China, declining America" hypothesis, which suits their ideological proclivities. But any objective analysis would show that it was much more Mr. Obama's submissiveness and much less a new Chinese assertiveness that made the difference. Mr. Obama simply seems unable or unwilling to defend U.S. interests strongly and effectively, either because he feels them unworthy of defense, or because he is untroubled by their diminution.

Of course, most Americans believe they elect presidents who will vigorously represent their global interests, rather than electing Platonic guardians who defend them only when they comport with his grander vision of a just world. Foreign leaders, whether friends or adversaries, expect the same. If, by contrast, Mr. Obama continues to behave as a "post-American" president, China and others will know exactly how to take advantage of him.

Mr. Bolton, a senior fellow at the American Enterprise Institute, is the author of "Surrender Is Not an Option: Defending America at the United Nations and Abroad" (Simon & Schuster, 2007).

Kiwi Monetary Muddle

By Stephen Kirchner

New Zealand started a monetary-policy revolution when it introduced inflation targeting in 1989. That innovation swept the world in the 1990s, and was all the more remarkable for being introduced by the social-democratic

Labour Party. Yet 20 years later, back in opposition, and facing a falling U.S. dollar, Labour is turning its back on the framework it pioneered. That could have serious consequences if and when Labour finds itself in government again.

In a speech to New Zealand's Federated Farmers last week, Labour leader Phil Goff announced "the end of the consensus around the policy targets and tools of the Reserve Bank," the central bank. Mr. Goff said he will continue to respect the central bank independence, but that he no longer supports putting the primary focus on price stability. "The battle against inflation is no longer New Zealand's sole or over-riding policy objective," he said. While not offering an alternative, Mr. Goff said the current policy framework is "not well designed to produce a stable and competitive exchange rate, nor to keep interest rates as low as possible."

Mr. Goff further called for a stronger focus on economic growth and export performance. The clear implication is that Labour wants to use easier monetary policy as a lever to spur growth, in part by cheapening the New Zealand dollar and devaluing to stronger growth and exports. While Labour is not currently in the majority, it likely will be again one day so these remarks bear watching. Foreign-exchange markets certainly noticed, with the New Zealand dollar falling vis-à-vis the U.S. dollar by 2.4% in the aftermath of Mr. Goff's speech.

It is no coincidence that Mr. Goff made his remarks to New Zealand's largest farm lobby. As a small, open economy with large trade dominated by the export of commodities such as dairy, New Zealand is exposed to exchange-rate fluctuations. The highly cyclical New Zealand dollar has always been a sore point for the country's exporters since, while it falls in value during slack times it always seems to strengthen sooner than they would like. One reason is that signs of economic recovery typically spur worries about inflation and, under the inflation-targeting regime, prompt the central bank to raise rates.

Mr. Goff's criticism of this dynamic misses the important benefits inflation targeting and its effects on the exchange rate bring to New Zealand. The dollar's fluctuations help insulate the economy from external shocks, not least during the recent global financial crisis. When demand weakens in the rest of the world,

The falling U.S. dollar is sparking a dangerous debate about the New Zealand central bank's role.

the New Zealand dollar depreciates, making New Zealand's exports more competitive. When external demand is strong, the currency rises, moderating export prices in New Zealand-dollar terms and restraining import price inflation. New Zealand's floating exchange rate thus smoothes external demand and economic activity, making the central bank's job of controlling inflation much easier.

Many exporters resent the role of the exchange rate in moderating New Zealand's economic cycle, viewing their competitiveness as being sacrificed on the altar of inflation control. But the idea that New Zealand can ignore inflation and grow faster through easy money and a lower exchange rate is a short-sighted view, no matter how tempting. It ignores the fact that higher domestic prices resulting from inflation would ultimately undermine rather than promote international competitiveness. Economic growth and export success must ultimately be built on real factors such as productivity growth, not easy money and exchange rate depreciation.

Lawmakers like Mr. Goff would therefore be better off focusing on structural reforms that will boost productivity and competitiveness, such as reduced government spending and taxing.

Meanwhile, the central bank's primary focus on inflation recognizes that monetary policy needs to be based on a single instrument and policy objective. Pursuing multiple objectives with multiple instruments, as Labour now suggests, is a recipe for incoherent policy and poor economic performance such as New Zealand experienced before its path-breaking reforms of the 1980s. Already the inflation target has been relaxed, to 1%-3% from the original 0%-2% and given a medium-term focus by the central bank governor and successive finance ministers. It would be a mistake to weaken the bank's inflation focus any further.

It might be tempting to dismiss Mr. Goff's remarks as populist politics, but it would be complacent to assume that a future Labour government would not make good on such promises. That would be a backward step for a Labour Party that brought New Zealand such an important monetary-policy improvement in 1989, and for the economy overall.

Mr. Kirchner is a research fellow at the Centre for Independent Studies in Sydney. This article is part of an occasional series on the dollar's impact on Asia-Pacific economies.

Notable & Quotable

Willy Lam writing in the China Brief on Nov. 19, 2009:

As the Chinese Communist Party leadership tries to convince President Barack Obama and other world leaders that China is eagerly integrating itself with the global marketplace, the ultra-conservative norms and worldview of Chairman Mao Zedong are making a big comeback in public life. In provinces and cities that foreign dignitaries are unlikely to visit, vintage Cultural Revolution-era totems are proliferating. In Chongqing, a mega-city of 32 million people in western China, Mao sculptures—which were feverishly demolished soon after the late patriarch Deng Xiaoping catalyzed the reform era in 1978—are being erected throughout government offices, factories and universities. . . . The long-forgotten slogan "Long Live Mao Zedong Thought" has been resuscitated.

IN DEPTH

The talented Mr. Pang

Financier charmed and deceived, and left a trail of clues: gambling debts, a murdered wife, investors crying fraud

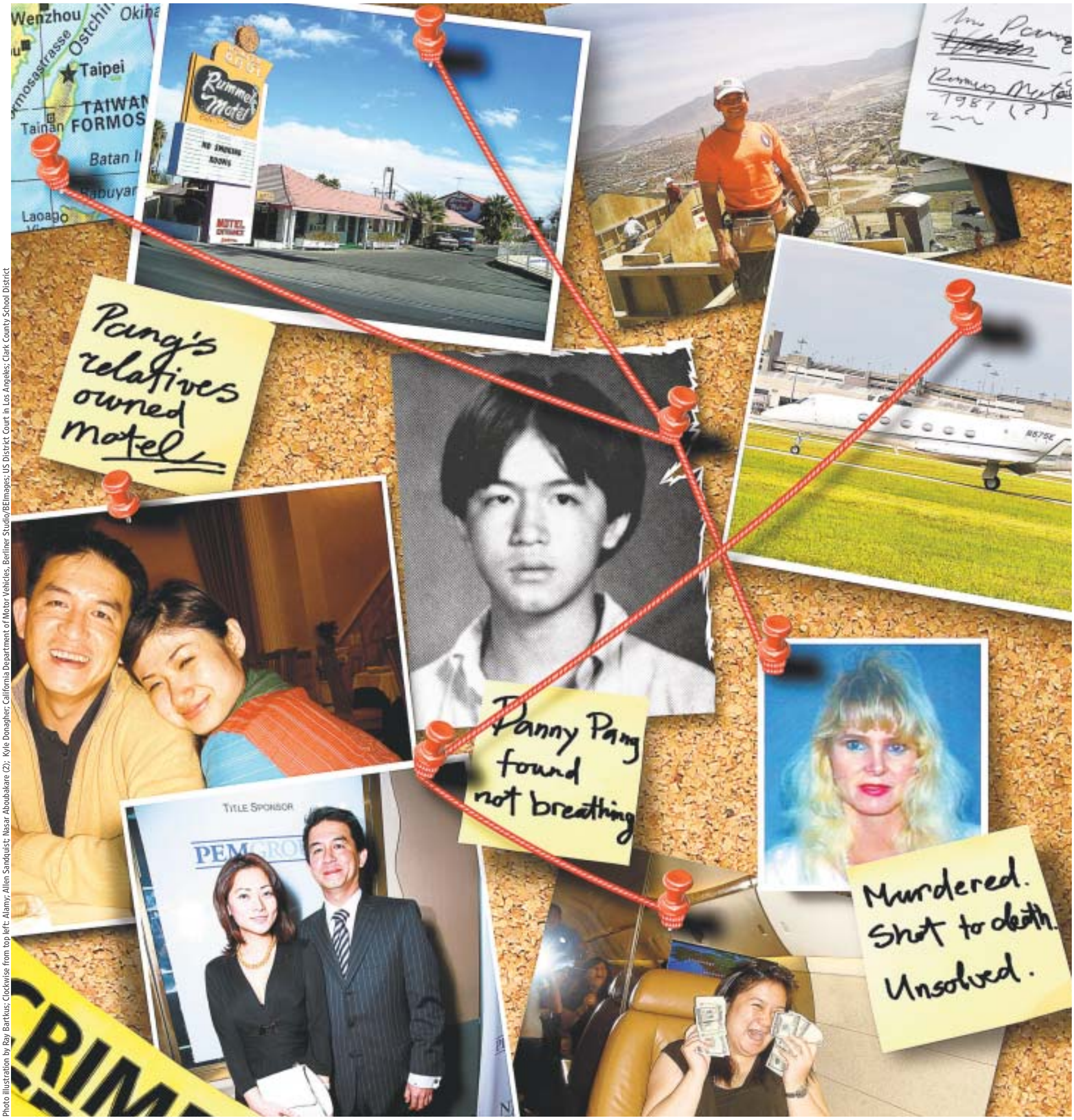

Photo illustration by Ray Bartkus; Clockwise from top left: Alamy; Allen Sandquist; Nasar Aboubakare (2); Kyle Donagher; California Department of Motor Vehicles, Berliner Studio/BEImages; US District Court in Los Angeles; Clark County School District

By Mark Maremont

WITH ITS vintage neon sign advertising "Heated Pool," the Rummel Motel in the early 1980s was the sort of place budget travelers would bunk down while they tried their luck at the slots in the nearby Las Vegas Strip. It also was home to a young Taiwanese immigrant, Danny Pang, who as a teenager lived in the motel owned by his relatives. Unlike the other immigrant teens he hung around with, Mr. Pang seemed to have a lot of money and frequently gambled at the casinos.

"He'd take you to the steakhouse, a show, pay everything," says Jeffrey Liu, whose family co-owned a neighboring motel. "Everybody wanted to be with him."

One day, Mr. Liu and another friend spotted Mr. Pang taking money from the cash register at a motel owned by the friend's family, Mr. Liu says. They confronted Mr. Pang and he denied stealing. The boys let it slide, but made Mr. Pang pay for their dinner, says Mr. Liu.

For Mr. Pang, it would become a pattern for the rest of his life—a flashy lifestyle that drew people to him, along with repeated accusations of deception that progressed from petty theft to a final, trans-Pacific heist. At the time of his death in September at age 42, Mr. Pang was battling charges by U.S. federal regulators that he ran a massive Ponzi-like scheme from his Irvine, Calif., investment firm. A court-appointed receiver accused him of using the firm as a "personal piggy bank" to help finance lavish habits that included private jets, luxury cars and gambling.

The still-unraveling scandal cost his investors, most from his native Taiwan, as much as $600 million, according to estimates from the receiver. The coroner's report is expected by early January and with it, a ruling

on whether the financier committed suicide.

Mr. Pang steadfastly maintained that he was innocent of the charges against him. In a statement earlier this year, he said he had "conducted himself lawfully in his business and in his personal life." A spokesman for his family said, in a statement Friday, "Danny Pang was a wonderful husband, father, son and brother and his family misses him dearly. It is unfortunate he will never have the opportunity to defend himself against the rash of sensational, and completely unproven, allegations that were trumpeted by the government with tremendous fanfare." He added, "It is time to let Danny rest in peace."

Danny Pang was born in Taipei on Dec. 15, 1966, the oldest of three children. His father, he told associates, was in the trading business, while his mother hailed from an affluent furniture-manufacturing family. He went to a prestigious private school, where he frequently got into fights, recalls a classmate at the time, Joyce Mao.

He arrived in Las Vegas as a teenager and went to high school there. After graduating in 1984, he roomed for a period with Mr. Liu at the University of Nevada, Reno. They once sat next to each other in a Nutrition class, says Mr. Liu, now an obstetrician-gynecologist in Las Vegas, who recalls Mr. Pang boasting about acing a test in the class.

While in Reno, a friend's bank ATM card went missing soon after she had withdrawn cash with Mr. Pang standing next to her. She told others that a bank security camera showed that Mr. Pang had used the card. "Danny, after he heard it, he said he found the ATM card on the floor," Mr. Liu says, adding that Mr. Pang returned the cash.

A spokeswoman for the University of Nevada, Reno, says that Mr. Pang never completed his application to the school and "we have no record of him ever attending classes."

Mr. Pang resurfaced at the University of California, Irvine, a sun-dappled campus popular with students from immigrant families. Mr. Pang drove a BMW, friends say. He also became a student leader, elected chairman of the Asian Pacific Student & Staff Association for the 1988-89 school year.

In the spring of 1989, the Tiananmen Square democracy protests in China broke out, and the 22-year-old Mr. Pang was a visible pro-democracy activist. In an article in the Los Angeles Times on the campus protests, he argued the Chinese government wouldn't dare crack down on such a high-profile protest movement, and was quoted as a "UCI senior." A fellow student leader, Paul W. Wong, says Mr. Pang was "the point person" on a petition drive and other activities around the Tiananmen protests, and was involved in numerous meetings with faculty members and the school's administration.

University records show Mr. Pang wasn't enrolled at the time. School officials say he was never officially enrolled except for a single 1986 summer term, and never received the undergraduate and M.B.A. degrees he later claimed.

In the years after his supposed graduation, Mr. Pang worked trying to bring deals to a small real-estate development firm in Santa Ana, Calif. R. Lang Cottrell, then a partner at the firm, says another partner brought in Mr. Pang, saying he could "sell snow to an Eskimo." Mr. Pang often spoke about how wealthy his family was and how much money he could bring to various deals. But after associates saw Mr. Pang labor for hours over a short letter, the firm checked with the university and discovered Mr. Pang had faked his résumé. "It got to the point where I didn't believe anything he told me," Mr. Cottrell says.

Mr. Pang severed his ties with the office after confessing that he had gambled away $2 million sent by relatives in Taiwan that was supposed to be used to pay off the mortgage on the Rummel or another Las Vegas motel owned by his family, says another partner, Jay Meehan.

Elaine Fan first met Mr. Pang while she was in college in California, and again when she was 25 on a flight back to her native Taiwan. They dated for less than a year when he asked her to marry him, she says. He threw an engagement party at the Ritz-Carlton Laguna Niguel, a resort on a bluff overlooking the Pacific Ocean. Several dozen guests dined in the hotel's executive dining room.

Unknown to Ms. Fan, her fiancé was dating another woman, Janie Louise Beuschlein, whom he had met at a strip club, where she worked to help support two children.

Mr. Meehan asked him, "Danny, are you going to break it off with Janie?" He says Mr. Pang replied, "No problem. I can get married and still have a girlfriend.'"

Not long after the party, Ms. Fan began receiving phone calls from a woman she knew only as Janie, who said she was living with Mr. Pang and recently had his child, Danny Pang, Jr. She confronted Mr. Pang, who promised he had broken up with Janie, Ms. Fan says. But Janie kept calling. Ms. Fan broke off the engagement. "I just couldn't take it," says Ms. Fan, who still lives in the Los Angeles area.

In May 1993, Mr. Pang married Ms. Beuschlein. The marriage was tempestuous. The police were called to their home four times for domestic-disturbance complaints, including a 1993 incident in which Ms. Pang said she was afraid Mr. Pang "was going to kill her." Telling friends she wanted a divorce, Ms. Pang in May 1997 hired an investigative agency, which observed her husband holding hands with another woman in Northern California. She confronted Mr. Pang over the phone, according to a law enforcement official involved in the case.

Around noon the next day, as Ms. Pang was leaving to meet with the investigator, an elegantly dressed stranger rang the doorbell of their Orange County home, court records show. Ms. Pang came to the door with her young son by her side. The man produced a gun and started chasing her through the house. He shot her dead in a mirrored closet off the master bedroom. It was the Pangs' fourth wedding anniversary.

The trial of a suspected gunman, a one-time lawyer of Mr. Pang's, ended in a hung jury years later. Mr. Pang denied any involvement. He didn't testify at the trial, citing his Fifth Amendment rights.

The glitzy suburban sprawl of Orange County, Calif., is home to more than its share of financial scams. The anonymous glass-and-concrete office buildings of Irvine and Newport Beach are filled with the latest can't-miss ventures, some legitimate, some not. This was the milieu in which Mr. Pang operated, as he bounced from one business to another.

Mr. Pang, whom associates say could be charming and persuasive despite his choppy English, wore expensive suits even during the times he was near broke. A heavy gambler, he was repeatedly pursued for gambling debts and beat up on occasion, former colleagues say.

In the early 1990s, Mr. Pang reported to police being the victim of a convoluted extortion plot involving a few hundred thousand dollars in property. The police report isn't clear on the outcome. A few years later he became a partner at a Silicon Valley venture capital firm backed by Taiwanese money, in part because his family put up some of the fund's money, the firm's then-chief executive Michael Hsu has said. He left in 1997 under circumstances that remain in dispute. Mr. Hsu said Mr. Pang stole $3 million by forging signatures on bank accounts, which Mr. Pang denied.

Mr. Pang was sued several times. In one suit, an investor claimed he was fleeced of $80,000 in an abortive high-tech venture, and in another, his stepson accused Mr. Pang of defrauding him out of the insurance proceeds from Janie Pang's death. Both cases were settled out of court.

Mr. Pang's luck started to turn in the late 1990s, when he met an Orange County entrepreneur named Chas Radovich at a Laguna Beach nightclub, Club M. A Serbian immigrant who came to the U.S. as a child, Mr. Radovich has been involved in a series of ventures, from a now-defunct telecom firm to an allergy treatment company.

For two years starting in 2000, Mr. Radovich says he let Mr. Pang use office space and phones, free of charge, in return for a promise he'd be cut in on any deals. Instead, Mr. Pang persuaded many of Mr. Radovich's associates, including his then-chief operating officer, to join his own financial firm, says Mr. Radovich, now 50 years old. Mr. Radovich says he never saw a dime.

Mr. Radovich also says Mr. Pang once called him in a panic, saying he owed $300,000 on a stock margin call. Mr. Radovich says he loaned Mr. Pang the money from his parents' account, on the promise it would be repaid in a week. It wasn't. Last year, he says, with his parents in need of cash, he finally received a check from Mr. Pang—for $9,000. "Danny was unscrupulous, nothing more than a fast-talking con man," Mr. Radovich says.

The financial firm Mr. Pang incubated at Mr. Radovich's office turned into Private Equity Management Group Inc., or PEMGroup. Based in Irvine, the firm set out to raise money in Taiwan by promising above-market interest rates on notes. Buyers were told that the money was to be invested in assets in the U.S., including in buying up the rights to collect on life insurance policies owned by elderly people.

Mr. Pang dropped names of important people he was supposedly doing business with and boasted about deals he had done or money he controlled, associates say. He falsely claimed on his résumé to have been a senior Morgan Stanley executive.

Although the firm had no money at the start, Mr. Pang told associates that the only way to win over investors was to project an air of success. Nasar Aboubakare, PEMGroup's No. 2 executive who was fired in 2007, says Mr. Pang on one early trip insisted on staying at the presidential suite at the Grand Formosa Regent Taipei, where he ordered up lavish banquets and spent $10,000 on a night at a local karaoke bar. Mr. Aboubakare, the only one with any money, says he was stuck with an $80,000 American Express bill from the trip.

Mr. Pang dropped names of important people he was supposedly doing business with and boasted about deals he had done or money he controlled, associates say. He falsely claimed on his résumé to have been a senior Morgan Stanley executive, and told Mr. Radovich he had once worked with the famous junk bond trader Michael Milken at Drexel Burnham. PEMGroup investors also were promised that any losses would be covered by special insurance policies taken out from major international firms. But PEMGroup bought only a fraction of the insurance it promised. At one point it forged a fake insurance policy and sent it to the Taiwan unit of Standard Chartered PLC, according to court documents.

Eventually, major Taiwanese banks persuaded 16,000 individual investors to put more than $800 million into Mr. Pang's firm.

As part of Mr. Pang's pitch to some Taiwanese investors, he said PEMGroup was backed by the wealthy Irvine family, which traces its fortune to an ancestor who bought up a large part of the land in Orange County in the 19th century. Although the family has long since sold Irvine Co., which owned the land, the Irvine name still has cachet in parts of Asia.

In marketing presentations to Taiwanese banks, PEMGroup claimed a major shareholder was "Irvine Capital Holdings LLC," whose chairman was listed as Morton Irvine Smith, described as a "representative of the USA's renowned Irvine family." Mr. Pang brought Mr. Smith on a marketing trip to Taiwan, where he was introduced to local bankers.

Irvine Capital was a Nevada-registered company created by Mr. Pang and his associates, while Mr. Smith was paid a nominal salary by Mr. Pang. Mr. Smith, 44 years old, says he didn't have any real role in the company and never saw any of the marketing presentations that claimed otherwise. He also says he didn't know details of Mr. Pang's business dealings.

His mother, Joan Irvine Smith, 76 years old, says her son doesn't control any of the family's money. "We had not one red cent in this venture," she says. "I would no more put any money in a project of Morton's like that than I would go to the moon." Ms. Smith says she believes Mr. Pang used her son as an unwitting "front guy."

Mr. Aboubakare, the former PEMGroup executive, says Mr. Smith's main contribution was to greet Taiwanese bankers when they came to visit the firm's Irvine headquarters, and show them around the nearby Irvine Museum.

Mr. Pang ratcheted up his already free-spending lifestyle after the money started pouring into PEMGroup. Court records from the Securities and Exchange Commission suit against Mr. Pang show PEMGroup diverted investors' money into buying three jets, including a Gulfstream IV that Mr. Pang used for overseas jaunts and trips to Las Vegas. Mr. Pang extracted an additional $67 million from the firm in salary, fees and loans, the court-appointed receiver estimates. The receiver traced $360,000 to a girlfriend of Mr. Pang's and $1.7 million to a bookie. Mr. Pang sent $1 million to a Las Vegas casino, according to a person familiar with the matter.

As of April, Mr. Pang and his second wife together owned five vehicles, including a $189,000 Aston Martin and a $215,000 Mercedes coupe, state vehicle records show. Mr. Pang turned in a sixth vehicle, a leased Bentley, after stepping down from PEMGroup.

PEMGroup made a number of more mainstream investments, including loans to a start-up hotel venture, eSuites Hotels LLC, and a martial-arts apparel maker, Tapout LLC. Executives at both firms praised Mr. Pang as a savvy financier.

But many of PEMGroup's deals went sour, leading to what federal authorities later described as a Ponzi-like scheme in which original investors were repaid, or their investments supported, with money from new investors.

The party came to a screeching halt in April. The Wall Street Journal published a page-one article raising questions about Mr. Pang's credentials and about whether his firm might be swindling investors with a Ponzi scheme. He vehemently denied all the allegations, but stepped down the next day. The SEC obtained a court order seizing control of his firm. Mr. Pang later was charged with a criminal count of arranging cash transactions to keep them under the $10,000 federal reporting requirement designed to combat money laundering.

Amid an outcry after the scandal broke, the Taiwanese banks have agreed to cover any losses sustained by their customers in PEMGroup.

In the middle of the afternoon on Friday, Sept. 11, police say Mr. Pang's mother discovered the financier lying in bed, not breathing, at his home in a gated oceanfront community in Newport Beach, Calif. A family friend called 911. He was pronounced dead at a local hospital early the next morning.

Mr. Pang's second wife, Sheanna, is caring for a young daughter and Mr. Pang's now college-age son. The SEC and official receiver are continuing to try to reclaim what remains of the financier's wealth. Mr. Pang also died without a will, requiring a separate court action to look after his affairs.

At the time of his death, Mr. Pang was confined to his home most of the time, wearing an electronic monitoring device around his ankle. He told several associates the charges were false and he was going to be vindicated.

—Ting-I Tsai in Taipei contributed to this article.

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The CEOs' Top Priorities

LAST WEEK, THE WALL STREET JOURNAL assembled nearly 100 CEOs of large companies for a day and a half to discuss the policy choices facing the U.S., and the effects those choices may have on business and the economy.

THE WALL STREET JOURNAL. CEO COUNCIL

The CEOs divided into four task forces and debated priorities in the areas of health care, energy and the environment, finance and the U.S. economy, and education. Using an electronic ranking system devised by the Journal, they chose five top priorities in each subject area.

Each task force then reported its priorities back to the full council. At the end of the conference, the chief executives revised and then ranked all the priorities from the four task forces, in order of their relative urgency and importance.

The CEOs who attended the session were from a diverse range of industries; as a group, they employ more than six million people and represent roughly $2 trillion in market capitalization. That should give their views on these issues some added weight in the months ahead.

Here's a look at their top five priorities.

1 SUSTAINABLE JOB CREATION

Government should focus on policies that stimulate sustainable job growth by identifying national competitive strengths, encouraging innovation, reforming tax policy and avoiding regulatory disincentives. Policies should emphasize small and medium-sized enterprises and ensure the flow of credit to business. Government should avoid short-term efforts to create jobs that are unsustainable.

2 EDUCATION IS A TOP NATIONAL PRIORITY

Education is an urgent national priority—well ahead of health care, climate change and financial regulatory reform—and government and business policies need to reflect that. If we don't address this, we endanger our children, economy, businesses and national security.

3 TAX REFORM

Change the tax code, in revenue-neutral fashion, to encourage savings and investment and discourage consumption and debt over the long term.

4 DIVERSIFY U.S. ENERGY SUPPLY

The U.S. should encourage all domestic energy supplies, including coal, expanded access to oil and gas coming from both conventional and unconventional sources, nuclear power and all renewables. Government shouldn't pick winners; let the markets decide.

5 REFORM MEDICAL MALPRACTICE

Cap awards and legal fees, and create health courts.

Energy and the Environment

After decades of drifting, the U.S. is moving toward a more-coherent energy policy. For the energy industry, that is both a boon and a threat. The broad goals of any new legislation and regulation are clear enough: to cushion the volatility of energy prices and curb greenhouse-gas emissions. But the details are fuzzy, and those details will determine whom the energy transformation helps and hurts. Figuring that federal limits on greenhouse-gas emissions are inevitable, for instance, the industry wants the rules to come from Congress rather than from the Environmental Protection Agency. The reason: It thinks it can lobby Congress to cushion the blow more easily than it can lobby the EPA.

Jeffrey Ball, the Journal's environment editor, moderated the task-force discussion on energy and the environment. Here are edited excerpts of the presentation of their priorities to the CEO Council.

JEFFREY BALL: *There were a couple of broad pieces that I think are important to reflect—areas that the group thought were underappreciated. One is that people tend not to understand the scales that are the reality in the energy industry, that different areas of energy supply get thrown around without an appreciation of what really powers this world of ours.*

Second to that point, is that the vast majority of global energy comes from fossil fuels, and is predicted to continue to stay that way for several decades. And third, in terms of using energy more efficiently, it's probably not prudent to suggest that people are going to change their behavior of their own volition. And so there are going to have to be more structural reforms in the economic setup of the energy industry.

Let me just ask Lynn Elsenhans to talk about the first priority, which has to do with domestic energy supply.

LYNN ELSENHANS: To put this in context, the EIA [Energy Information Administration] forecasts that energy demand globally of all types will grow more than 50% in 20 years, and that in the U.S. it will grow as much as 30%. And further, petroleum will be 60% of total demand, and, if you put all fossil fuels in there, it's probably over 80% of the demand. So anything that doesn't address that is really going to ignore some fundamental problems if we're going to keep energy both secure and affordable, along with clean.

The key concepts that were put forward on this point were, one, the concept of diversification. We need it all. We have a lot of demand out there. To keep it secure, affordable, we need to develop it all. The second point is more of an emphasis on domestic resources and the development of domestic resources. Most countries in the world do take the resources they have and make the most of them, and the U.S. should do the same.

We have vast resources of coal. We now have, through new technologies, vast resources of natural gas. If we had more access, we could have additional oil and gas from both conventional and unconventional sources. And yes, if we're going to have clean energy and zero emissions, we have to vastly expand the amount of nuclear energy in this country, and we should embrace all forms of renewable energy.

Pursuing Efficiency

MR. BALL: *The second priority had to do with efficiency broadly defined.*

LOUIS CHÊNEVERT: We had a discussion that suggests that at all levels in the supply chain, as well as in the consumer end, there's opportunities to substantially improve efficiency, as well as emissions. We had discussions on what can be done with coal power plants or traditional plants to improve their emissions. Technology is available today. It's a question, sometimes, of return on investment and having a level playing field and knowing that you can get return for the investments that you'll put in.

The same is true, whether it's residential or commercial buildings. There's a lot of technology available today that could reduce energy consumption substantially, and there's a need for labeling, for regulation that would force, basically, the adoption of some of these technologies that would have substantial impact on energy and the environment. In the discussion, I noted the fact that for large buildings, the recipe is there today to reduce consumption by 70%. Thirty percent is available easily—it's probably got less than a five-year payback.

CARLOS GHOSN: If I can add one point to what has been said about energy efficiency, the ability to store energy is absolutely important. And today, we know that we don't have any system allowing you to store energy, which means that when you invest in capacity, you invest in function of the peak consumption. Because if you don't invest in function of the peak consumption, you're going to create a situation of blackouts, which are very damaging.

So I think focusing and developing capacity to store energy for individuals, for facilities, for public services, for plants is absolutely fundamental to have a much higher efficiency in terms of use of energy.

MR. BALL: *There was an interesting discussion about what policies would be necessary to induce moves toward efficiency. And one of the discussions was whether there ought to be a call for higher energy prices—that is, a direct call as opposed to a sort of less-direct call in the form of a cap-and-trade policy. There was a feeling that this group did not want to call for higher energy taxes, but that cap-and-trade was going to do that.*

So why don't we move into that—the third priority. There were those in the group who didn't want to recommend anything on carbon regulation, and indeed, who thought that the best policy would be no government action to restrict carbon emissions. There was a larger group that felt it didn't really matter what the group wanted in that regard, because carbon regulations are coming, and so the group ought to make some suggestion as to what is the lesser of two evils.

So there were a few points of agreement here. First of all, that the EPA should not be regulating carbon emissions—that this ought to be up to Congress to act. Second, that remembering in the design of any cap-and-trade system that fossil fuels provide about 80% of global energy today, and are likely to continue to do that. And so to the degree that a cap-and-trade program incentivizes a diversity of energy resources, it needs to keep that reality in mind.

And third and really important, the point of global competitiveness—that the U.S. should not do anything on carbon regulations in the absence of action by other countries, particularly countries in the developing world.

Frustration With the Grid

MR. CHÊNEVERT: With regard to upgrading the electrical grid, there are so many roadblocks to overcome that eventually, it gets frustrating and it's always sub-optimized. And if we're going to really succeed at energy efficiency, and the introduction of renewables, without an efficient grid it's not going to happen. So this is something that's a very high priority for the group and it's something that needs to be addressed fairly quickly if we're going to make substantial changes in the efficiency of the whole system.

MR. BALL: *This was one area in which there was really no disagreement on the desire for increased federal control. It was very interesting that if the government is going to essentially demand that energy resources be diversified, it has to give business the tools to make that happen.*

MR. GHOSN: On the fifth recommendation, the main point about transportation is the fact that today in the U.S, and in practically all the developed or developing countries, we're all net importers of oil. And second, it is the only fuel for transportation. That means if there is a problem with oil, the whole transportation system is paralyzed. And we came to the conclusion that oil is not the enemy, but too much dependence on oil becomes something that is very precarious.

So by saying diversify the transport system, we're saying, because it's a strategic consideration and also an economic consideration, a lot of effort should be made—partnerships between governments, states, municipalities, companies, car companies, utility companies—in order to find the best system adapted to the country or adapted to a specific city to bring electricity as a diversification from oil for transportation.

MR. BALL: *There was a sense in the group that this was a particularly interesting area for actual business-government cooperation.*

MR. GHOSN: Exactly. This is something that cannot happen because one company wants it or because one municipality or one government wants it. You need the technology, so you need the technology of the battery, you need technology from car makers, you need utilities to step in.

In fact, you know, we're signing a lot of agreements with the utility companies across the globe who are saying, well, this is an opportunity for us to increase our market share or increase our presence.

You need governments to be interested into putting their acts behind their will of being less dependent on oil or creating an environment where you have less emissions. And in fact, we're seeing today very clearly which are the governments and the municipalities standing up and saying OK, what do you need for this to become a reality? What kind of infrastructure, what kind of partner do you need? Without partnership, it can't work.

The View From the Capitol

MR. BALL: *Ed Markey is the chairman of the special select committee that the House of Representatives established to deal with climate-change issues. You've had a chance to look over the recommendations; you've heard some of what they had to say.*

EDWARD MARKEY: I agree with your plan. I think that the priorities that you have selected are the most im-

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ENERGY AND THE ENVIRONMENT CO-CHAIRS:

LOUIS R. CHÊNEVERT
President and CEO, United Technologies Corp.

LYNN L. ELSENHANS
Chairman, President and CEO, Sunoco Inc.

CARLOS GHOSN
CEO, Renault SA and Nissan Motor Co.

POLICY PERSPECTIVE:

EDWARD MARKEY
U.S. Representative (Democrat, Massachusetts)

Energy & Environment

Continued from page 22

portant ones, which is why each one of them is included inside of the Waxman-Markey legislation. We have a broad array of incentives for all energy sources. On promoting energy, we include the largest single increase in funding for energy efficiency in any legislation in the history of our country. We include a requirement that all new buildings have to be 50% more efficient in their energy consumption by the year 2016—dramatic increases in appliance efficiency. We give $10 billion each year to the states to incentivize efficiency within their states.

We have passed a cap-and-trade bill. I think many of the executives who are represented here feel comfortable with that because they're already doing business in Europe, which has a system in place. And so I think there's a higher comfort level, the larger the company, in terms of moving in this cap-and-trade direction.

We built billions of dollars of funding into Waxman-Markey for the smart grid, as we did into the stimulus package in February to telescope the time frame it will take for our nation to lay this out.

And finally, diversifying the transportation system: We moved, with incentives as well, more toward using natural gas as a source of energy, especially in the bus and the large truck fleet.

Winners and Losers

MS. ELSENHANS: Congressman, I'm a refiner and one of the principles that was put forward is what the task force said was a level playing field and not picking winners and losers. And there are many very good features about the bill, and I applaud those, but you've clearly picked refiners as a loser.

And you talk about Europe and being like Europe—well, it's not like Europe at all, because the Europeans got all the allowances for nothing and the European refiners were not responsible for the emissions of their customers. They were only responsible for their stationary emissions.

And so I fear that what we're doing is, we're basically going to disadvantage all U.S. refiners, all U.S. heavy industry—energy-intensive industries—and force those industries overseas.

And so what we're going to do is end up trading off importing oil for importing products, and in the meantime, transporting jobs—good-paying jobs—from the U.S., overseas. And I will only speak for my company. I'm very willing to have my stationary emissions be part of cap-and-trade and learn how to be more energy-efficient.

But asking us to also handle the emissions of our customers puts us in great peril. And basically, our ability to cap-and-trade is going to be more important than our ability to transform crude oil into products and deliver those products to our customers.

REP. MARKEY: We put about $2.5 billion per year in the deal with the additional cost for the refining industry, but that's still subject to negotiation as the bill moves through the Senate.

And in addition, we actually put in a border tariff that is triggered in 2020 that will protect energy-intensive, trade-vulnerable industries from exploitation by China or India or other countries who are not engaging in the same kind of reduction in greenhouse-gas emissions that we are, as well so that there's a real signal being sent to the rest of the world.

We're not going to stand by and watch our steel, aluminum, cement and other energy-intensive industries get exploited by us moving along with the Europeans. And I think we have to be realistic here as we're going forward so that we are building in the protections for those energy-intensive industries. ▦

The Top Five Recommendations

1. DIVERSIFY U.S. ENERGY
The U.S. should encourage all domestic energy supplies, including coal, expanded access to oil and gas coming from both conventional and unconventional sources, nuclear power and all renewables. Government shouldn't pick winners; let the markets decide.

2. PROMOTE ENERGY EFFICIENCY
Establish a holistic approach, supported by business, that produces energy efficiencies, from production to consumption. Policies should include tax credits, accelerated depreciation, altered building codes and performance standards. Change utility regulatory structure so utilities can recover cost of investments. Educate consumers about energy-efficiency methods.

3. CAP-AND-TRADE BILL
Instead of the EPA regulating greenhouse-gas emissions, Congress should set a cap on carbon emissions that protects the U.S. economy. The cap should recognize that most energy will continue to come from fossil fuels. The U.S. should not act alone on global warming. There should be a trigger requiring a global framework.

4. FEDERAL PLAN FOR THE ELECTRICAL GRID
Congress should enact federal authority to deploy a more efficient electric grid that enables the diversification of U.S. energy supplies, gives the federal government more authority to site transmission lines through eminent domain and gives the Federal Energy Regulatory Commission the power to allocate costs.

5. DIVERSIFY TRANSPORTATION
In its tax, regulatory, and investment policies, the government should stimulate transportation systems consistent with the broad goals of diversifying energy sources and reducing greenhouse-gas emissions.

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Health Care

As the U.S. Congress wrestles with health-reform legislation, doctors, hospitals, insurers and employers face the challenges of providing quality care to the greatest number of people—at an affordable cost.

Professor Michael E. Porter of Harvard University launched the discussion with three critical ideas for restructuring the delivery of care around value for patients, starting with the creation of a national system for measurement of health outcomes.

He also recommended changing the reimbursement system that rewards doctors for treating illnesses rather than preventing disease, by moving from a fee-for-service model to one that bundles payments for the full range of care for a single patient among many providers, as well as removing legal obstacles that prevent doctors and hospitals from working together to offer integrated care.

Task-force members came up with priorities of their own, including holding patients accountable for their own behavior, in the face of an alarming rise in obesity, coupled with high smoking rates. And dealing with medical-malpractice costs and tort reform was once again on the CEO agenda.

Laura Landro, an assistant managing editor at The Wall Street Journal, moderated the task-force discussion. Here are edited excerpts of the presentation of their priorities to the CEO Council.

LAURA LANDRO: *We're going to start out with Ron Williams, who is going to talk about reforming the health-payment system.*

RONALD A. WILLIAMS: In health care today, our payment system is what's referred to as a fee-for-service system. You have an office procedure and that physician is paid. And if there are more office visits, there is more payment.

A huge part of reforming payment is to look at what's called bundle payments. If a physician is treating a patient who has asthma, that physician might be paid a rate for the year that represents a reasonable and appropriate payment to incent them to do things that might not be office-visit-based. So, the physician might take those resources and have someone visit the patient's home and look at what the patient has in their home and how their home is organized, because there may be things going on there that actually are influencing the office visits.

And I think the same thing can be said for hospitals, so that a hospital doesn't simply admit a patient, perform a series of procedures or activities and discharge that patient—and if the patient comes back, there is another bill and another set of charges. So, the hospital might very well receive a bundled payment that might include the work-up on the front end, the care that's delivered and anticipate whatever follow-up care might be necessary.

MS. LANDRO: *We're going to ask Dr. Cosgrove to do two priorities that were related to each other, which were to measure health outcomes and to promote integrated care, the idea that we would all have care on a continuum without 17 different unaffiliated doctors doing things.*

DELOS M. COSGROVE: What we'd like to do is get you value for your health-care dollar. And in order to measure quality, you have to measure outcomes. The second aspect of this is that they have to be widely transparent and then compared with national standards.

The first thing you have to do is develop the standards that you're going to measure to measure quality. It's easy to measure quality in cardiac surgery because you're either dead or alive. It's quite different to measure quality in dermatology or rheumatology, which are much more subtle. So, those quality outcomes need to be defined, measured, and it's going to require the electronic medical record as the tool that's going to facilitate that.

The second of those issues which we raised is promoting integrated care. By integrated care, you need to begin to have the physician become integrated with the hospital; you have to have hospitals integrated with hospitals. And you have to remove the barriers to those sorts of things happening. And that includes going across state lines, which would currently inhibit health-care organizations and doctors from practicing in multiple locations.

MS. LANDRO: *Next we're going to turn to Dr. Vasella, who is going to talk about two other issues, one of which is holding patients accountable; we can't just blame the system if we're smoking and obese. The other is to reform medical malpractice, which is something that comes up over and over and over again.*

DANIEL VASELLA: [For malpractice], it's a huge cost that we are bearing, and we were discussing how we could diminish that cost. One was the idea of cap. We have heard the enthusiasm of the president for that this morning; namely, none. And the second was to have more professional tribunals looking at the whole question of tort.

The second topic was holding patients accountable. We had examples that were discussed of smoking-cessation programs at companies, and then giving penalties for people who smoke. Obesity, it is estimated today, has direct and indirect costs in the U.S. of $500 billion. We are looking forward to a generation who may live shorter than we do unless action is taken. The question is also, what do we do as companies to address this problem and make it easier for our employees to live a healthy lifestyle?

DR. COSGROVE: I think that this group has an enormous opportunity in terms of putting the incentives right for employees in terms of wellness. And I think all of you can see the financial returns coming back to your corporation, reducing the cost of health care.

MR. WILLIAMS: My experience is that when the whole question of prevention and wellness becomes a C-suite issue, just as safety or profitability, companies make enormous improvements in terms of engagement and collaborating with their employees on these issues.

In terms of reforming the payment system, I think one of the things that's important is to have a legislative and regulatory framework that determines and sanctions what types of changes we can make.

DR. VASELLA: On the obesity fight, just to hit on one topic, we would like to know what is best practice, so we have experience sharing what works and what doesn't work. In the end, the government has to do something in the school system; we need to know, do we want as a country, a labeling, for example, of the calories on menus and so forth?

The View From the Capitol

ALAN MURRAY: Jim Cooper is a moderate Democratic congressman from Tennessee who found himself at the middle of the health-care-reform debate back in 1994, had the good sense to leave Congress for a decade in between, then came back—and now once again is in the middle of a health-care-reform debate. So, he has a unique perspective on these issues, and I think is uniquely thoughtful on these issues.

REP. JIM COOPER: I want to congratulate you on putting together five very sound principles. That's the good news. The bad news is, you're a little late to the party. The Senate is within weeks of voting on major legislation; the House has already done it. And also, the brevity of your principles makes them a little bit longer than a bumper sticker.

As you well know, the devil is usually in the details. Now, we do need to reform the payment system. But one of the core issues is left untouched: an existing $250 billion tax subsidy that promotes a regressive system and sometimes irresponsible behavior. So, it's very difficult to reform the system without addressing that.

We do need to measure outcomes. What was fascinating to me, in your principles, you say, let's measure hospitals and doctors. And what did you leave out? You're not going to measure drugs or nursing homes, things like that. Those are the next largest recipients.

Other principles—very important. We do need to hold patients accountable. We do need malpractice reform. I've had the bill in Congress for a long time on health courts—long overdue. We can do some of these things. We need to make sure that we have integrated health-delivery systems.

Now, changing provider behavior is very tough. The white coat usually only listens to the white coat. But you all, as major payers in your community, have a real opportunity to help doctors see that fee-for-service medicine is not the right way.

I think that we should all listen to the Business Roundtable report of last week, which said the status quo is not an option. In previous health-care-reform debates, we could put this off, wait for a better bill. But now, when Medicare alone is $34 trillion in the hole, and S&P and Moody's have already projected that the U.S. Treasury bond could lose its triple-A rating as soon as 2012, as a result primarily of Medicare and Medicaid, we don't have the option to wait very long. ▦

The Top Five Recommendations

1. REFORM HEALTH-PAYMENT SYSTEM
Move away from fee-for-service and toward bundled payments for the full cycle of health care. Pay higher rates for sicker patients. Tie payments to outcomes.

2. MEASURE HEALTH OUTCOMES
Require doctors and hospitals to publicly report patient outcomes based on national standards. Link payments to risk-adjusted outcomes. Use electronic medical records for measurement.

3. HOLD PATIENTS ACCOUNTABLE
Employers and insurers should reward healthful behaviors and penalize unhealthful behaviors. Employers should prohibit smoking among their employees and provide unlimited cessation help.

4. REFORM MEDICAL MALPRACTICE
Cap awards and legal fees, and create health courts.

5. PROMOTE INTEGRATED CARE
Change regulations to allow doctors and hospitals to work together. Remove obstacles such as the Stark laws and corporate practice of medicine laws.

HEALTH CARE CO-CHAIRS:

Delos M. Cosgrove, M.D.
President and CEO, Cleveland Clinic

Daniel Vasella, M.D.
Chairman and CEO, Novartis AG

Ronald A. Williams
Chairman and CEO, Aetna Inc.

POLICY PERSPECTIVE:

Jim Cooper
U.S. Representative (Democrat, Tennessee)

Economy and Finance

The discussion of the U.S. economy and finance drew more than two dozen chief executives in a conversation that ranged widely—from the urgency of creating a climate in which employers will hire again and the persistent problems in getting credit to businesses and consumers to the policies, attitudes and spirit required to assure widely shared prosperity in the future.

David Wessel, the Journal's economics editor, moderated the discussion. Here are edited excerpts of the presentation of their priorities to the CEO Council.

DAVID WESSEL: *The group asked me to explain that when we thought about things, we thought about three buckets: the things that need to be done now, the things that need to be done in the medium term and the things that need to be done in the long term. And so the range of options you see up here spans that horizon. Some things you wouldn't want to do now, and some things you wouldn't want to wait for.*

There was no item that rose higher on our thermometer than the need to create jobs. Ken Chenault is going to discuss the group's thinking on what ought to be done to stimulate employment.

KENNETH I. CHENAULT: As we look at sustainable job creation, I think one of the things as a business community is we have not galvanized around this issue. When we interact with government, we give them a laundry list of issues that affect our particular sector. And then we are always on the defensive trying to prevent things from happening to us.

I think we also need to be very focused on the political realities: What is going to be the one thing that is going to stop people from, in fact, being re-elected? And that's going to be in 12 months if there is not an increase in jobs. People will have major problems and from the White House on down there will be an issue.

This is an opportunity for business to really seek out a clarion call to say we're going to be unified, we're going to focus on sustainable job creation, and in fact, we're going to look through the job-creation lens for every policy. Taxes, we're going to go through that lens. From a regulatory standpoint, we're going to go through that lens.

MR. WESSEL: *There was also a sense that we needed to enunciate a vision for the U.S. economy and bring back the kind of winning spirit. Gail Kelly?*

GAIL P. KELLY: At its essence, this was about a vision: encouraging entrepreneurship, building confidence and building pride. Definitely, avoiding protectionist-type policies—we absolutely, wholeheartedly endorse that. And really remembering what America stands for. And, in that vein, not demonizing success. And, certainly, not overpenalizing failure. There's been a sense that there's been a little bit more of that than is desirable. Because at the end of the day, success is part of winning, and failure is part of playing the game in a free-market environment.

MR. WESSEL: *A third theme was that there's too much uncertainty out there, particularly about government policy, and that it's hurting business and it's hurting consumers and it's contributing to an economy that isn't performing as well as the group would like.*

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THE ECONOMY AND FINANCE CO-CHAIRS:

Kenneth I. Chenault
Chairman and CEO, American Express Co.

Gail P. Kelly
Managing Director and CEO, Westpac Banking Corp.

J.W. Marriott Jr.
Chairman and CEO, Marriott International Inc.

POLICY PERSPECTIVE:

John McCain
U.S. Senator (Republican, Arizona)

An Educated Work Force

If an educated work force is a nation's human capital, U.S. business is seeing a lot of subprime these days.

Graduation rates are dismal in many school districts. Teachers are bailing out of the profession. Parents are frantic at the lack of options. Chancellors are clashing with unions. And student performance pales next to the competition abroad. Business often can't find the talent it needs.

The CEO Council considered a range of remedies. John Bussey, chief of the Journal's Washington bureau, moderated discussions by the education task force as it considered what five priorities to recommend. Here are edited excerpts of those discussions.

JOHN BUSSEY: *Our first item received by far the most votes: Education is our top priority. This is less a call to specific action and more of a statement of principle or purpose, with an expectation of a broad set of actions by government and business. This was passionately felt by our group. And I'm going to ask John Chambers to explain why.*

JOHN T. CHAMBERS: Each of us has sat in an "education-is-your-top-priority" type of discussion every year. And each year, you walk out a little bit frustrated. You say the timing's not right, we're not really serious about it, etc. But as we went through the discussion today, it was a unanimous vote that it needs to be the top national priority—way above the economy, health care, energy or the environment.

There was unanimous agreement, as businesses, that we would fall into line. It should be an issue that brings Republicans and Democrats together during a year where they're not going to agree on much. And I believe you identify tipping points. When you identify those tipping points is when you should move.

We think it's a once-in-a-lifetime opportunity. Business knows more than anyone how much better other countries are preparing their work forces—never mind that their costs are half or a third what ours are here in labor.

So we think this should be our top priority as a country. We think we CEOs ought to back it up, and business ought to back it up, and we think government policy should as well.

MR. BUSSEY: *I'm going to ask Bill Green to talk a little bit about the second item: setting up a council for an educated work force.*

WILLIAM D. GREEN: Everyone talks a good game on education and we continue to lose ground. A lot more smoke than fire.

There were advocates in our room for pre-K, right up through building more world-class institutions. But we need to connect the dots. I think we need a national agenda that focuses on an outcome. Even within the government, we need to connect the dots between our Education, Labor and Commerce departments. And how do we get business to align with that to make sure we're building the talent we need to compete, as opposed to what we get today?

Right now, on every measure, we're slipping. There are a lot of important initiatives and agendas and pockets of success. If we don't have a national agenda to be tops in the world in terms of education and a talented work force, we aren't going to get there. Things we need to be doing include rethinking the whole distribution and delivery system for how we educate talent.

MR. BUSSEY: *Our third recommendation—reward effective teaching—gets more into the guts of how our schools are operating. Government, school districts and unions should devise a transparent method of recognizing and financially rewarding good teaching, and teachers deemed ineffective should be denied tenure and removed.*

RANDALL L. STEPHENSON: The first thing we have to be able to do is performance manage. And you cannot performance manage if you don't have the ability to hire and fire and to compensate for the kind of performance and outcomes that you're looking for.

With the right leadership and the right performance management criteria, you can move the needle. And you can do it through unionized or nonunionized work forces.

MR. BUSSEY: *Why don't you explain the group's reasoning behind advocating a world-class teaching corps. In many successful economies, the teaching corps is recruited out of the top 10%, 15%, 20% of college graduates, but in the U.S., it's the reverse; a disproportionate number of teachers are coming out of, roughly, the bottom quartile of our graduating classes.*

MR. STEPHENSON: In our society, if you don't compensate for it, you're not going to get the best. So we think you're going to have to address this compensation issue and be prepared to pay the best and the brightest to get the top echelons out of the best schools to come and teach. And I don't think you move the needle absent that.

MR. CHAMBERS: One of the most hard-hitting comments during our session was when one of our colleagues said, "I just attended one of the education sessions with a group of developing countries and they were all focused on how their work force can compete versus India and China and other major, emerging countries. They neither considered the U.S. as somebody they wanted to learn from or somebody they considered a threat." And that really says it all.

MR. BUSSEY: *Our fifth item: Mobilize parents for change. There was a sense in the group that parents just aren't getting it, and that the dire state of education will affect their children's future in ways that they, perhaps, are not considering.*

MR. CHAMBERS: We won't make it happen without the parents being mobilized to say, "It's unacceptable for my child to have the education we do, which will not allow them to have a higher standard of living than I have." We must give them access to the data that first shows why this is occurring, that lets them compare their own schools to other schools in the vicinity, the nation and around the world, and that helps them to intervene when progress isn't occurring.

MR. GREEN: When we look at other countries—emerging markets, if you will—what's different about their education systems? Personal responsibility and family values toward education.

The View From the Capitol

ALAN MURRAY: Congressman Joe Sestak is a member of the House Committee on Education and Labor. He is a Pennsylvania Democrat, a former U.S. Navy admiral, a Harvard Ph.D. and is running for the Senate. We asked him to respond to the priorities set by our CEO panel.

REP. JOE SESTAK: I am on the education committee because of my experience in the Navy. I think this is important, because the Navy and the other services are trying to address this issue much better than our nation as a whole. You cannot be promoted in the Navy today unless you've earned an associate's college degree in a technology.

There has to be a continuum of learning, which is one of your recommendations. No longer can you just learn a trade; that trade is going to change over time. And it has to.

Early intervention is absolutely critical, too. We all know the facts; you put $1 into pre-K or Head Start and you get $7 afterwards, after high school. Anybody who has gone to pre-K on average makes 33% more during their lifetime.

Today, only 3% of all businesses that have revenues over $1 million are owned by a person who's a minority. And yet, by 2050, they will be 50% of our population. Only one out of 17 Hispanics or African-Americans can actually open up a newspaper, go into a specialized section, pull out information and discuss it. Probably about 1 out of every 12 African Americans can do fractions at the age of 17. That compares to about 7 or 8 out of every 10 of whites. This is a national-security issue.

Someone said this was your No. 1 topic; it is. I think President Bush had it absolutely right—and I'm a Democrat—when he tried to do No Child Left Behind, and tried to instill accountability into our systems. Today, 69% of eighth-grade math teachers are neither certified nor have a degree in mathematics; 93% of all teachers in fifth through eighth grade who teach science are neither certified nor have a degree in science. ▦

The Top Five Recommendations

1. EDUCATION IS OUR TOP PRIORITY
Education is our top national priority—well ahead of health care, climate change and financial regulatory reform—and government and business policies need to reflect that. If we don't address this, we endanger our children, economy, businesses and national security.

2. COUNCIL FOR EDUCATED WORK FORCE
Create a national council for an educated work force comprised of the secretaries of education, labor and commerce, to coordinate government activity with business to put the U.S. in the top five countries in the world for education.

3. REWARD EFFECTIVE TEACHING
Government should devise, with the school districts and unions, a transparent method of recognizing and financially rewarding good teaching. Teachers deemed ineffective should be denied tenure and removed.

4. WORLD-CLASS TEACHER CORPS
Attract and retain the best and the brightest to be our teachers. We need a world-class teacher corps in the public schools with top credentials. We need to increase the stature of teachers, which isn't possible without addressing the issue of pay.

5. MOBILIZE PARENTS
Educate parents about the consequences of the dire state of the education system for their children's future. Mobilize them to invest their time in their children and in the system. Parents and the school system should have real-time data and insight into their child's progress against standards and their global peers, to allow parents to intervene quickly.

AN EDUCATED WORK FORCE CO-CHAIRS:

JOHN T. CHAMBERS
Chairman and CEO, Cisco Systems Inc.

WILLIAM D. GREEN
Chairman and CEO, Accenture

RANDALL L. STEPHENSON
Chairman, President and CEO, AT&T Inc.

POLICY PERSPECTIVE:

JOE SESTAK
U.S. Representative (Democrat, Pennsylvania)

Economy

Continued from page 24

J.W. MARRIOTT: We all recognize that small business is really a big engine when it comes to employment. And small business—and all of us—are suffering from [uncertainty about] what's going to happen to us. What's going to happen in taxation? How much more tax are we going to have to pay? What's going to happen with cap-and-trade? How much is that going to cost us? What's going to happen with health care?

And so therefore, really, this uncertainty is a big, big concern. And there's not a lot of easy answers to it because there's an awful lot on the agenda of the administration and Congress that is adding to that uncertainty and it continues to pile onto the uncertainty.

MR. WESSEL: *Ken Chenault, do you want to speak about trade?*

MR. CHENAULT: I think it's obvious why we need a global trade pact. I think another point that we need to emphasize, though, is the more trade we can do outside the U.S., we actually do create jobs in the U.S. And that's a message that needs to get out there. But trade is critical for the future.

MR. WESSEL: *And Gail Kelly?*

MS. KELLY: Tax reform as a key priority—certainly it's a priority in my own country, Australia, as well. It will help to reduce uncertainty and build confidence, build a growth agenda. And I think the key theme here for us was one of encouraging savings and investment.

The Top Five Recommendations

1. SUSTAINABLE JOB CREATION
Government should focus on policies that stimulate sustainable job growth by identifying national competitive strengths, encouraging innovation, reforming tax policy and avoiding regulatory disincentives. Policies should emphasize small and medium-sized enterprises and ensure the flow of credit to business. Government should avoid short-term efforts to create jobs that are unsustainable.

2. BRING BACK WINNING SPIRIT IN U.S.
Enunciate a vision for the U.S. economy. Encourage entrepreneurship. Be blunt about U.S. competitive strengths and weaknesses. Remove the risk of protectionism. Reduce uncertainty. Don't demonize success or overpenalize failure. Avoid divisiveness in government and business rhetoric. Promote the American dream of social mobility.

3. BUILD GREATER CERTAINTY
Reduce uncertainty for consumers and businesses over energy, tax, health and other policies to encourage hiring and capital investment. Articulate clear objectives. Enhance global cooperation through G20 leadership. Strengthen the American retirement system. Make sure there is credit available for growth.

4. ENACT GLOBAL TRADE PACT
Sign and ratify by the end of 2010 a global free-trade agreement with all willing countries to encourage greater world growth.

5. TAX REFORM
Change tax code, in revenue-neutral fashion, to encourage savings and investment and discourage consumption and debt over the long term.

The View From the Capitol

SEN. JOHN McCAIN: I have never seen anything like I am seeing in America today. My home state of Arizona is the second hardest-hit state. We have real unemployment around 17%. The level of anger and frustration and the anger is directed at what we do in Washington and what you do on Wall Street.

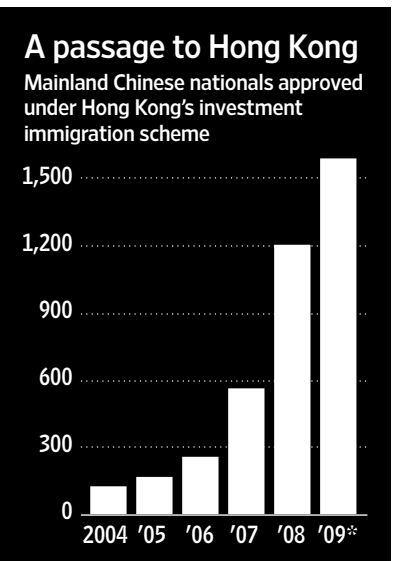
Every day, I encounter somebody who is a small-business person who not only can't get a line of credit but they're losing a line of credit.

Now, you may say that you're trying to get credit to small business; you may say you're trying to help small business. I'm telling you, they don't believe that.

They're angry and they're fed up and they're going to elect people in 2010—mostly Republicans because it's a Democrat administration—and they're going to be protectionist and they're going to be anti-capitalist and they're going to want change and they're going to want regulation and they're going to enact legislation that is going to be harmful to you. ▦

FROM PAGE ONE

Bloomberg News



People look at the skyline of the Central district in Hong Kong.

China money leaks offshore despite rules

Continued from first page

issues tied to China's foreign-exchange controls, says that while Beijing relies on banks to monitor offshore money transfers, there are countless ways to get around these measures, from falsifying contracts to carrying money in suitcases to Hong Kong.

Because mainland citizens are given an annual cap of US$50,000 a year that they are allowed to convert into foreign currencies for use for a variety of things such as vacations and online purchases from overseas Web sites, pooling money from family members is another easy way to get around restrictions.

Business owners with overseas operations or Hong Kong bank accounts have even easier access to foreign capital to play with, since these are beyond the control of Beijing's regulators. In short, Ms. Jiang says: "The possibilities are infinite."

To be sure, far more money is flowing into China than out, as global capital races to cash in on China's robust economic rebound and as many investors bet that its currency will strengthen. But there are also incentives driving money in the other direction.

Hong Kong partly encourages the inflow of Chinese money through a government immigration and investment program. Under the program Chinese nationals who already enjoy residency rights abroad can immigrate to Hong Kong after investing 6.5 million Hong Kong dollars, or about about US$839,000, in the territory.

A lot of that money goes into property. Since the program began six years ago, 3,907 "investment immigrants" from mainland China had won approval by the end of September, plunking down a total of US$1.34 billion in the city's property market, according to government data. This year alone, US$477.3 million went into Hong Kong's property market from mainland Chinese who successfully applied for local residency.

"Many mainland Chinese want to send their children to schools in Hong Kong, and they see the city as a window to the outside world," says Thomas Kut, the chief executive of Midland Immigration Consultancy Ltd., an arm of one of Hong Kong's biggest real-estate brokers. "Hong Kong is close, the time zones are the same, the language is easy to learn and they can travel back and forth whenever they feel like it."

Over China's weeklong National Day holidays in early October, Mr. Kut led about 40 mainland Chinese to a new luxury condominium in the city's Fo Tan district, not far from Hong Kong's border with China.

"I'm not afraid to buy now," said one buyer, a Guangzhou resident who identified herself only as Ms. Sheng. Ms. Sheng, an exporter, was eyeing a 2,000-square foot apartment overlooking one of Hong Kong's horse-racing tracks.

Hong Kong's investment immigrant policy effectively opens a legitimate way for Chinese residents to buy property outside the mainland despite the capital controls, says Hing-yin Lee, a Shanghai-based property broker for Colliers International.

The tidal wave of mainland Chinese money into both Hong Kong and Macau has posed a challenge for policymakers. Fears of overly rapid growth in Macau's gambling revenue have prompted mainland Chinese officials to tighten visa policies for mainland visitors traveling to the territory's casinos. In recent years, a local backlash against mainland Chinese bidding up property prices forced Macau's government to scrap its own "investment immigrant" program.

Some Hong Kong people fear that Chinese money is pushing local property prices beyond their reach.

"Rich mainlanders are coming in, and it has a big effect. Hong Kong is so tiny, and China is so big," says Emily Lau, a legislator who attended a rally last month protesting soaring property prices. When mainland Chinese buyers bid up luxury home prices, "the high end affects the mid-end of the market, and it pulls the whole thing up," says Ms. Lau, who has asked the government to investigate allegations of money laundering.

Cheng Lai-king, a 50-year-old social worker who attended the march, said the government should look into restricting home purchases in Hong Kong to only local residents. "There's so much money flooding into Hong Kong from outside, and it's messing with our market."

Some of that money is flowing further afield. Yukihiko Ito, managing director of property broker Asterisk Realty Tokyo, says he has seen a sharp rise in mainland Chinese buyers in the Tokyo and Yokohama condominium market over the past two years, many of them brought in by Chinese travel agencies.

The buyers, Mr. Ito says, sometimes pay for their US$1 million condos with suitcases full of yen, hoping to collect rent while socking their money away overseas. "We are brokers, so we don't ask where the money comes from if they don't say," Mr. Ito says.

Some experts think that Beijing may actually be countenancing the outward flows as a safety valve against rising pressure on its own currency, even if officially the government wants to keep money flowing through channels it can monitor.

The State Administration of Foreign Exchange, Beijing's principal regulator, has in recent years tested ways to let money flow more freely as it moves cautiously toward internationalizing its currency, creating release valves to prevent asset-price inflation amid currency inflows and expectations of the yuan's long-term appreciation.

In 2007, Beijing tinkered with letting Chinese invest directly in Hong Kong's stock market before the plan was scrapped. Late last month, Beijing expanded a program that allows ordinary Chinese to invest indirectly in overseas stocks through licensed domestic institutions, approving an additional $1.5 billion in the program's first such expansion in 17 months.

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Reliance makes cash offer for LyondellBasell

Reuters

For Reliance's Mukesh Ambani, the deal would mark a signature overseas expansion at a time when cash-rich Indian companies are eyeing foreign acquisitions.

Continued from first page

the U.S. and Europe—and so the purchase is about more than just petrochemicals, according to a person familiar with Reliance's strategy.

"If you look at it from the point of view of the Indian market, [Reliance has] already done what expansion there is to do on the refining and petrochemical side," analyst Jigar Shah of Kim Eng Securities India said. The company doesn't have many more options in that segment to expand and is obviously looking for a global opportunity, Mr. Shah said.

Reliance made its last international acquisition in September 2007, when it bought Malaysian polyester maker Hualon Corp. for about $250 million.

A LyondellBasell spokesman said a valuation has yet to be put on the company in connection with any bankruptcy reorganization plan and declined to comment on any price associated with Reliance's offer.

"The valuation is not known, but could be in the range of $10 billion to $12 billion," in line with the valuation accorded to Dow Chemicals on a forward earnings basis, said Deepak Pareek, analyst at Mumbai-based brokerage Angel Broking.

Reliance's acquisitions "have always been at valuations that are slightly lower than market value," said Arun Kajriwal, director at investment advisory firm Kris Pvt. Ltd.

Analysts said the LyondellBasell acquisition would allow Reliance to obtain up-and-running assets at a much cheaper price than recreating similar assets.

While reporting its results for the July-September quarter, the company said it holds cash and cash equivalent of 194.21 billion rupees ($4.2 billion) via various instruments including fixed deposits and government securities.

Before Lyondell Chemical Co. and the U.S. operations of LyondellBasell filed for bankruptcy in January, they suffered from liquidity problems and their chemicals business was hard-hit by weak demand and rising raw material costs.

A deal with Reliance could upend a current restructuring plan that would have handed LyondellBasell to senior lenders in exchange for eliminating more than $17 billion in debt.

That plan also included a $2.5 billion rights offering to take the company out of bankruptcy led by a group including private-investment firms Apollo Management, Ares Management and Kohlberg Kravis Roberts & Co.

—Paul Beckett, Sunil Raghu and Mike Spector contributed to this article.

Hershey's trustees back a bid for Cadbury
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JAL's travails cloud the outlook of ANA
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Investors dial back risk early

Caution is driven by urge to protect big gains, changes to some fiscal years; Treasury yields go negative

By Tom Lauricella And Joanna Slater

Signs of wariness are appearing in financial markets as investors worry that the end of the year could bring challenging trading conditions.

Last week saw a steep drop off in U.S. stock-market trading volume and a surge in demand for short-term government debt, indications that investors and financial institutions are growing cautious and retreating from riskier bets.

ABREAST OF THE MARKET

That defensive behavior is relatively common toward the end of the year. But this year it's happening earlier than usual. An uncommon confluence of events is driving the shift. The biggest catalyst is a reluctance among investors to take on new aggressive bets and avoid a late-year blow-up in their portfolios. Many are sitting on big gains after a 58% surge in the Dow Jones Industrial Average since early March and record returns from some corporate bonds.

"People who have booked some significant gains...are looking to take risk levels down," says Brian Fagen, co-head of Americas liquid market sales at Barclays Capital.

Banks looking to improve their capital positions have been padding their investment portfolios with U.S. Treasurys, driving up demand for government debt. At the same time, investors are wary that a shift by Wall Street brokerage houses to end their fiscal year on Dec. 31 instead of Nov. 30 may make them less willing to take risk in the final few weeks of the year.

"There could be some odd things happening around the end of the year," Mr. Fagan says. Should there be some unexpected news that drives the market higher or lower, "it could exacerbate the movements."

Beyond the calendar, there are fundamental reasons for the heightened caution. After the rebound in the stock and bond markets this year, there is considerable uncertainty about the outlook for 2010.

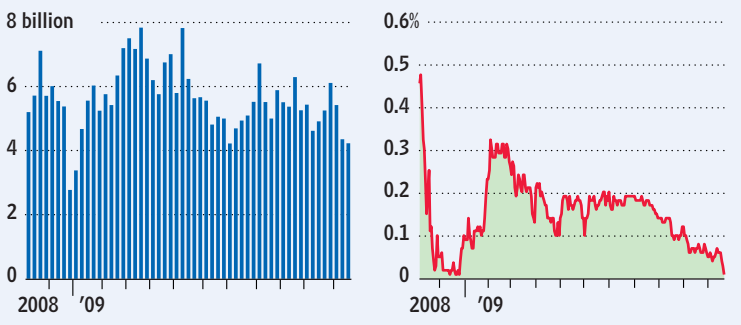
In the bond market, investors are unsure about how the Federal Reserve will wind down its support of the mortgage-backed securities market and the timing of an eventual increase in interest rates.

Stock investors are awaiting a pickup in corporate revenue growth that is seen as needed to extend better-than-expected earnings that thus far have been led by cost cutting. Many investors are concerned about ripples from a continued rise in unemployment, and expectations

Please turn to page 32

Pulling back

There are signs that investors are getting more cautious ahead of year-end, much earlier than usual.



*Weekly data, NYSE listed shares

Sources: WSJ Market Data Group (volume); Ryan ALM

Delta says SkyTeam has funds for JAL

By Mariko Sanchanta And Mike Esterl

The chief executive of **Delta Air Lines** Inc. said the SkyTeam alliance of global carriers would be willing to invest more than its proposed $1.02 billion into struggling **Japan Airlines** Corp. as it tries to forge a trans-Pacific partnership.

The final proposed investment into JAL by the nine-airline SkyTeam alliance could be "greater than what we've stated" thus far, Richard Anderson said in an interview Friday.

"When you get that value, it can be financeable. You create a lot more value, and together parties can figure out how to monetize that value," Mr. Anderson said.

Atlanta-based Delta and its SkyTeam partners are trying to persuade the Japanese carrier to defect from the rival Oneworld alliance of airlines to expand their share of the lucrative travel markets in Japan and Asia.

AMR Corp.'s American Airlines, a member of Oneworld, has said it and private-equity partner **TPG** also are willing to inject an undisclosed amount of money into JAL, which is undergoing a restructuring after several quarters of losses.

Delta, the world's largest carrier by traffic, said last week it was prepared to inject $500 million into JAL from SkyTeam in addition to a $300 million revenue guarantee, $200 million in asset-backed funding and $20 million or more in transition costs if JAL agrees to switch to SkyTeam.

The restructuring of JAL is seen as the first big test of the new Japanese government's willingness to take a hard line with "zombie" companies weighed down by billions of dollars in debt. Since the Democratic Party of Japan took power two months ago, it has focused on restructuring JAL, which is bogged down by over one trillion yen ($11.24 billion) in net debt and legacy pension costs.

Both Delta and American see this move as an opportunity to invest in JAL, a former flag carrier that has long been protected by the state.

Mr. Anderson said that neither Delta nor its SkyTeam partners are interested in a board seat or management representation at JAL. "We don't need to manage anybody. We don't want to and don't expect to," he said.

The Delta CEO said SkyTeam was unlikely to link up with a private-equity group as it tries to woo JAL. "We have had many inquiries from other third parties that would be interested," said Mr. Anderson. Nonetheless, he added, "we're focused on a SkyTeam strategic investment."

The Enterprise Turnaround Initiative Corp., the government-led body that is leading JAL's rehabilitation efforts, is expected to complete its due diligence in January.

Mr. Anderson said Friday that Delta would be willing to step in to aid JAL even before this process in finished. "We are ready, willing and able to participate at the right time," he added.

Introducing our new name, Daiwa Capital Markets

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The registered company name in Japan will be Daiwa Securities Capital Markets Co. Ltd.

Nissan weighs Guangzhou plant

Japanese company considers opening factory in Southern China to build all-electric vehicles

By Norihiko Shirouzu

GUANGZHOU, China—**Nissan Motor** Co. said it will weigh plans to make all-electric cars here as the Japanese auto maker steps up its electric-vehicle activity in China's fast-growing car market.

A senior Nissan executive disclosed the possible factory plans Sunday at a ceremony at which Nissan and its Chinese joint-venture partner, **Dongfeng Motor** Co., signed an agreement with the Guangzhou government to set up an electric-car program, part of Nissan's global effort to help accelerate use of all-electric cars.

In the deal, Nissan's second with a Chinese city, the Japanese company will work with the city government to study ways to promote "zero-emission" cars like the Leaf. Nissan plans to start test marketing the Leaf in the U.S. and Japan late next year and in China in 2011.

As part of the program, Nissan plans to look into the economic rationale for producing Leaf cars in Guangzhou and to "determine the next step," Nissan Executive Vice President Hiroto Saikawa said at the ceremony. He didn't provide details.

Nissan increasingly is staking its future on cars that run solely on batteries instead of the hybrid vehicles on which many rivals are focusing.

While the plans are preliminary, they are the first sign that Nissan is considering electric-vehicle production in China, which this year surpassed the U.S. as the world's biggest car market by unit sales. Nissan had announced plans to begin production of the Leaf in Japan next year, and in the U.S. and Europe by March 2013.

Nissan and its biggest shareholder, France's **Renault** SA, have been signing agreements with municipal and national governments in several countries to promote electric vehicles, striking more than 30 such deals world-wide. The Japanese company increasingly is staking its future on cars that run solely on batteries instead of the hybrid vehicles on which many rivals are focusing. Nissan's deal with Guangzhou, a major industrial city in southern China with a population of about 10 million, follows a similar accord the car maker signed in April with Wuhan in central China.

In these zero-emission programs, Nissan is expected to provide Leaf electric cars to government agencies and help develop a network of battery-charging stations, among other moves.

"Based on our agreement with Nissan today, we're going to try to help electric-vehicle technology go mainstream and help Nissan mass produce electric cars," Guangzhou Mayor Zhang Guangning said Sunday.

Wuhan is among 13 cities the Chinese government chose this year for a pilot program to boost use of alternative-energy vehicles.

Those cities, which don't include Guangzhou, are supposed to provide subsidies for purchases of all-electric battery cars, plug-in hybrids and vehicles using hydrogen fuel cells.

Associated Press

China marketing of Nissan's all-electric Leaf, seen in August, is to begin in 2011.

EADS insider-trading trial to begin in France

By David Gauthier-Villars And Nathalie Boschat

PARIS–A week-long trial starting Monday in the insider-trading case involving **European Aerospace Defence & Space** Co. could have deep repercussions at the parent company of plane maker Airbus as well as on the authority of France's stock-market watchdog Autorité des Marchés Financiers.

The case began in June 2006, when EADS disclosed that its program to develop the A380 double-decker aircraft was plagued with delays and cost overruns, sending its shares down 26% in one day. The A380 woes led to upheaval at the Franco-German aerospace company, which was torn apart by nationalistic rivalries. A management shuffle ensued.

The EADS stock decline led the AMF to look into whether some company shareholders and executives knew about the A380 problems ahead of the June announcement and, in particular, when they sold shares or exercised stock options in November 2005 and March 2006.

Following a three-year investigation, the AMF's sanction committee, which has an administrative jurisdiction, is trying 17 individuals, and two EADS founding shareholders—French media group **Lagardère** SCA and German auto maker **Daimler** AG—on charges of insider trading.

Directly or through lawyers, the 17 individuals, Lagardère and Daimler have all denied conducting insider trades.

EADS, which faces charges of having been too slow in disclosing the A380 woes, has said it provided investors with timely and accurate information.

All the defendants, together with about 40 lawyers and a cohort of English and German translators, will pack in the Palais Brongniart, the former headquarters of the Paris Bourse in central Paris, which has been transformed into a temporary courtroom because the AMF was tight for space at its own offices.

The case could potentially damage EADS's image and reputation at a moment the company is chasing a $40 billion contract to supply the U.S. Air Force with tanker planes.

The company could also find itself in an embarrassing situation if sanctions were slapped against some of its current employees targeted by the probe.

Among them is Airbus's top salesman, John Leahy, who faces charges of insider trading for selling EADS shares ahead of their June 2006 drop. Mr. Leahy, a U.S.-born executive, denies that he was privy to privileged information when he sold shares, EADS lawyers have said.

For the French securities regulator, the case represents a test of its capacity to conduct large-scale investigations and shield its in-house sanction committee from outside pressure when the fate of multinational companies is at stake.

During the investigation, some defendants turned up the heat on the AMF, saying they felt the regulator had neglected their rights. These defendants cited problems stemming from the existence of not just one, but two EADS probes.

In a separate case, following a complaint by EADS shareholders, Paris prosecutors are also looking into alleged insider trading at the aerospace company through a criminal investigation, which is still going on.

Lawyers for former EADS co-Chief Executive Noël Forgeard said they struggled to convince the AMF to take into consideration some elements that are in the scope of the criminal probe but had been left aside by AMF investigators. "Mr. Forgeard was so upset that he went to the AMF [on Thursday] to deliver some documents himself," said Jean-Alain Michel, one of his lawyers.

The AMF declined to comment on the issue or on Mr. Forgeard's visit.

—Daniel Michaels contributed to this article.

INDEX TO BUSINESSES AND PEOPLE

Businesses

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Corrections & Amplifications

A photo of a Shanghai branch of China International Capital Corp. that appeared on page 1 in the Friday-Sunday edition was taken in October 2008. A caption that accompanied the photo in some editions incorrectly said the photo was taken last month.

Gautham Shankar pleaded guilty to criminal securities fraud and conspiracy to commit securities fraud. A Wednesday Business & Finance article about the Galleon Group insider-trading case incorrectly said that the criminal charges included allegedly shuttling bags of cash between Zvi Goffer and an unknown party. Allegations of Mr. Goffer's involvement in the transfer of cash were included in a separate civil complaint. The article also incorrectly said Mr. Goffer worked at Galleon Management in 2007. He was at that firm from January to September 2008, according to court filings.

Hershey trust seeks bid

CEO West is pressed to pursue competing offer for Cadbury

By Ilan Brat, Jeffrey McCracken and Dana Cimilluca

The charitable trust that controls **Hershey** Co. is pushing the chocolate maker to launch a rival $17 billion bid for **Cadbury** PLC that would be bigger and have more cash than what **Kraft Foods** Inc. has offered, said several people familiar with the matter.

The trust, which helps fund a school for disadvantaged children, has complicated Hershey's merger efforts in the past, due to worries about losing its sway over the company.

But as other global candy makers combine forces, the trust appears to be reconsidering its position, partly for fear the financing for its charitable mission could suffer if Hershey doesn't also bulk up.

The trust is now urging Hershey's chief executive, David West, to make a competing offer to the $16.5 billion bid Kraft made earlier this month for Cadbury, the U.K. confectionery giant.

A bid, if one emerges, wouldn't be ready for at least two weeks, and the terms of a possible offer are in flux. One possible scenario, said these people, would include at least $10 billion in cash from Hershey, plus $2 billion in new Hershey shares.

A third component would be another $3 billion to $5 billion in cash from rich investors in exchange for equity in Hershey, these people said. The investors are being courted by Hershey adviser Byron Trott, a former **Goldman Sachs** banker known for his close relationships with Warren Buffett and other wealthy investors.

The trust would also sell about $1 billion in assets, but hopes to structure the deal to maintain control of Hershey, these people said. Hershey and the trust are working with two banks to raise the money: **J.P. Morgan Chase** anda **Bank of America**'s Merrill Lynch.

Spokesmen for Hershey and the Hershey Trust declined to comment. The trust initially didn't think it would be able to put together a bid, but has found in recent weeks that banks are now willing to lend at five times earnings before interest, taxes, depreciation and amortization or higher for a combined Hershey-Cadbury, which could allow a successful bid to be constructed.

The trust board has been pushing the Hershey board to come up with an operating plan that would show how a combined Hershey-Cadbury would work. But some on the Hershey board are worried that a deal could burden the company with too much debt. There's some overlap in opinion, said one person involved in the matter, because some trust board members—including former Pennsylvania Attorney General LeRoy S. Zimmerman and longtime investment banker Robert F. Cavanaugh—also serve on the corporate board.

"The two [boards] are trying to stay aligned, but aren't completely aligned," said this person.

Some observers question whether trust board members will have the will to sign off on a deal. "They may say they want to do it, but these things get political," one banker who has dealt with Hershey said. "Bankers and executives may get their support, but then it gets in the paper and people start to complain locally about borrowing too much or losing control or the impact on the town of Hershey, and the plans collapse."

Another question mark is whether Hershey shares will hold up if the company proceeds with a bid. Share declines could eat into the value of any offer. In a sign of concern among the company's shareholders over the dilution that any offer could bring, Hershey stock fell roughly 4% last week after the company's interest in exploring a Cadbury bid surfaced. Hershey shares were little changed Friday on the New York Stock Exchange at $37.09.

Hershey's Mr. West has been talking with **Ferrero** SpA, the Italian candy maker, about making a possible joint bid for Cadbury. But negotiations have not advanced, one person familiar with the situation said. The potential tax consequences of divvying up Cadbury between Hershey and Ferrero have arisen as a complicating factor. Ferrero could seek another partner if it decides to proceed, another person said.

The Hershey Trust Co. helps fund a boarding school for low-income children in Hershey, Pa. In the past, the trust has been reluctant to pursue large acquisitions and scuttled a 2002 deal with **Wm. Wrigley Jr.** Co. at the last minute.

Later, its insistence on retaining control complicated talks on a merger with Cadbury, leading many on Wall Street to see the trust as an obstacle to any strategic transactions.

Now, people familiar with the matter said, trust board members have decided that Hershey must expand operations outside the U.S. to keep growing and preserve the trust's mission. "It has decided it must be a consolidator before it is consolidated, which would risk its mission," said one person familiar with the trust's thinking.

Hershey could also benefit from close links it has with Cadbury. Hershey distributes Cadbury's products in the U.S. and the two companies have explored a combination before. Hershey, with its charitable credentials, could be a more palatable option to those in the U.K. who are concerned about a foreign takeover of one of the country's most prized and storied brands. Indeed, Cadbury executives led by Chairman Roger Carr have made no secret of their discomfort with a deal with Kraft, at least on the present terms.

Kraft's offer, which the company made official Nov. 9, is comprised of cash and stock, with cash portion making up just 40% of the offer. Many Cadbury shareholders have said the offer is too low and has too little cash. A Hershey bid could be topped by Kraft, which has lined up roughly $9 billion from lenders including **Citgroup** Inc., **Deutsche Bank** AG and **HSBC Holdings** PLC.

Eni to buy stakes in Uganda oil fields

By Guy Chazan

Eni SpA of Italy is to acquire stakes in two Ugandan oil fields from U.K.-listed **Heritage Oil** PLC for $1.3 billion, according to people familiar with the matter.

The deal, which could be announced as early as Monday, underscores the intense interest the world's major oil companies are showing in Uganda, one of sub-Saharan Africa's most promising hydrocarbon provinces.

It would also cement Eni's position as one of the most active competitors in Africa. The Italian company already has interests in the Republic of Congo, Nigeria and Ghana. Eni and Heritage both declined to comment.

Some 700 million barrels of oil have been discovered so far in Uganda's Lake Albert Rift Basin, and **Tullow Oil** PLC—the U.K.-listed oil company that is Heritage's partner—says it believes there are 1.5 billion barrels still to be discovered.

Eni will acquire the 50% working interest Heritage holds in two blocks in the Albert Basin, Blocks 1 and 3A, which it shares with Tullow. Under the deal, Heritage will pay a special dividend of between 90 pence and 100 pence ($1.49 and $1.65) a share to investors.

That means a windfall for Tony Buckingham, the chief executive and founder of Heritage, who holds about 33% of the company's outstanding shares.

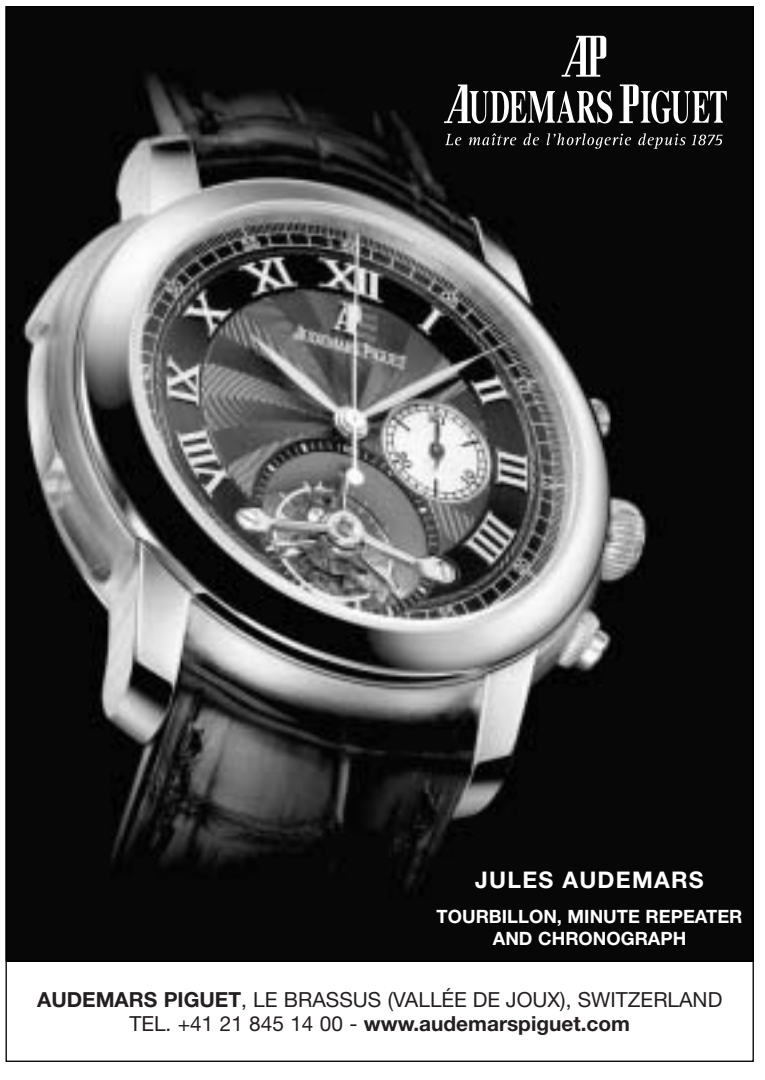
Tullow, which wholly owns and operates another block in the same area of Uganda, Block 2, is also seeking a partner for its Ugandan assets. The oil is in a remote area far from major markets and with little infrastructure. An export pipeline probably will have to be built to link Lake Albert to the coast—a hugely expensive undertaking that Tullow likely would struggle to accomplish without the help of a larger investor.

Eni's deal underscores oil companies' intense interest in Uganda.

Eni expressed an interest in buying into Tullow's Ugandan fields, but was deterred by the high price, according to people familiar with the matter.

Heritage is to use the Eni-deal proceeds to develop its assets in the Kurdish region of Iraq. The company, which has a 75% stake in the **Miran** block in Kurdistan, could use the money to build a pipeline linking Miran to Iraq's main export pipeline, or to construct a refinery to process oil from the field, a person familiar with the matter said.

For the past several months, Heritage has been in talks to acquire **Genel Energy International** Ltd., a Turkish energy company and its partner in Miran.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CORPORATE NEWS

Woodside's Pluto costs surge

Energy firm expects to spend as much as an additional $1 billion on LNG project

By Ross Kelly

SYDNEY—**Woodside Petroleum** Ltd. flagged a cost increase of as much as 1.1 billion Australian dollars (US$1 billion) at its Pluto liquefied-natural-gas project in Western Australia state, increasing pressure on the company to raise capital through an issue of new shares.

Woodside said the project's base cost is likely to be 6% to 10% above the company's original July 2007 estimate of A$11.2 billion because of "lower than budgeted productivity in both onshore and offshore construction." It also said the project is on schedule to ship LNG from its first production unit by early 2011.

Analysts are divided as to whether the oil and gas company will eventually tap the share market for funds, with much hinging on the progress of a planned expansion of Pluto and the construction of two other LNG projects.

Chief Executive Don Voelte said Woodside has no immediate plans to raise equity, but it may need to source more debt to cover the cost increase.

But in a bad sign for Woodside, Standard & Poor's late Friday placed the company's single-A-minus long-term credit rating on credit watch with negative implications. A downgrade to Woodside's credit rating could raise the cost of the company's debt.

S&P said it already had a negative outlook on Woodside and will aim to resolve the credit watch in the next two weeks after seeking to understand the company's response to the cost increase.

S&P placed Woodside's single-A-minus long-term credit rating on credit watch with negative implications. A downgrade could raise the cost of the company's debt.

Earlier, a Woodside spokesman said there was no specific reason for the cost increase, which he said was wrapped up in general productivity issues. These could include the progress of work such as drilling and welding activity on any given day, he added

"After three months of peak construction, we now have a better handle of what we can expect going forward," the spokesman said, adding that the cost increase is largely based on expectations of coming spending.

Pluto is one of about a dozen LNG projects planned in Australia and Papua New Guinea, but only a few projects are currently under construction globally.

—Stephen Bell in Perth, Australia, contributed to this article.

In Malaysia, Telekom posts return to profit

By Venkatagiri Balakrishnan

KUALA LUMPUR, Malaysia—**Telekom Malaysia** Bhd. said that it swung to a net profit in the third quarter from a loss a year earlier primarily because of the absence of foreign-exchange losses in the most recent quarter.

The fixed-line operator returned to the black with a net profit of 179.1 million ringgit ($52.9 million) for the three months ended Sept. 30, compared with a loss of 165.8 million ringgit a year earlier.

Revenue rose 1.9% to 2.1 billion ringgit amid higher income from Internet and multimedia services, Telekom said.

The company attributed the increase in group revenue mainly to higher revenue from data services, Internet and multimedia, other telecommunication-related services and nontelecommunications-related services. These increases mitigated the decline in voice revenue.

Internet and multimedia revenue rose 7% to 417.9 million ringgit as the company's number of broadband customers increased to 1.4 million from 1.2 million.

Revenue from data services increased 14% to 353.9 million ringgit er amid demand for higher-band-with services.

Telekom said the business environment is likely to remain challenging for the rest of the year.

"As a consequence from the global trend of fixed to mobile voice substitution, Telekom forecasts the decline in voice revenue to continue, but at a slower pace," the company said.

Telekom added that it expects broadband growth to remain strong as the economy recovers, with an estimated compounded annual growth rate of 16.7% between 2009 and 2013.

Net profit declined 25% to 472.8 million ringgit in the first nine months of 2009 from 627.1 million ringgit a year earlier.

Revenue for the period increased 2.6% to 6.34 billion ringgit.

Bahrain, Qatar set start date for causeway

By Alex Delmar-Morgan

ABU DHABI—Construction of the world's longest marine causeway that will link the Persian Gulf states of Qatar and Bahrain will begin in the first quarter next year, with completion due by 2015, the official in charge of the project said Sunday.

Jaber Ali Al Mohannadi, general manager of the **Qatar-Bahrain Causeway Foundation**, said at a conference in Abu Dhabi that the cost of the 40-kilometer causeway project was about 20% lower than originally anticipated, due to a drop in raw material and equipment prices as a result of the world's financial crisis.

Mr. Mohannadi didn't provide a cost estimate for the project, which industry officials have put at as much as $3 billion to $4 billion.

The project will be equally funded by both governments.

The following "Growing Enterprises in Asia" rely on **The Wall Street Journal Asia's** unique combination of insight and analysis every business day.

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Sands China draws yawn

IPO prices at the bottom of range as firm raises $2.5 billion

By Amy Or

HONG KONG -- **Sands China** Ltd. has raised US$2.5 billion in a Hong Kong initial public offering after pricing the share sale at the low end of its indicative price range because investors' reaction was lackluster, a person familiar with the situation said Saturday.

Nevertheless, the offering by the Macau unit of **Las Vegas Sands** Corp. is still the seventh largest global IPO this year, after **Banco Santander Brasil** SA's US$7.5 billion offering in October, and medium-size Chinese lender **China Minsheng Banking** Corp.'s US$3.86 billion IPO in Hong Kong earlier this week.

Sands China, which is also seeking US$1.75 billion in bank financing, sold 1.87 billion shares at HK$10.38 each (US$1.34), in a HK$10.38-HK$13.88 price range, the person said. It will list on the Hong Kong stock exchange Nov. 30.

Another person said investor reception toward Sands China was lukewarm, with the institutional tranche three to four times covered and its retail portion 1.5 times covered. The institutional tranche accounts for 90% of the deal, while the remaining shares go to retail investors. Analysts said Sands China's IPO wasn't particularly attractive, given its rich valuation, heavy indebtedness and recent weakness in Macau gambling stocks.

Sands China's HK$10.38 offer price translates to an enterprise value of 13.5 times its forecast 2010 earnings before interest, taxes, depreciation and amortization, and a premium over peer **Wynn Macau** Ltd.'s 12.7 times multiple. Wynn Macau listed on the Hong Kong bourse in September after a US$1.9 billion fund raising. Wynn Macau was favored for its light indebtedness.

Associated Press

Sands China has over 3,500 hotel rooms in Macau,, and it plans to build more.

Sands China, on the other hand, has US$3.4 billion in outstanding debt and net current liabilities of US$1.3 billion. More than half of its IPO proceeds will be used to repay the borrowings. It is seeking to raise another US$1.75 billion in project financing to help revive development at two plots of land in Macau's Cotai area.

So far, the five investment banks handling the IPO—global coordinators **Citigroup** Inc. and **Goldman Sachs Group**, and underwriters **Barclays** PLC, **BNP Paribas** SA and **UBS** AG—have pledged to lend US$1.45 billion.

Separately, **Kaisa Group Holdings** Ltd. is seeking to raise up to US$650 million in the eighth, and probably last, Hong Kong initial public offering by a Chinese real-estate developer this year, a person familiar with the situation said Saturday.

The Shenzhen-based developer plans to sell one billion new shares in a HK$3.45-HK$4.45 range to raise up to US$570 million, the person said, adding that the company has an option to raise the deal's size by 15% to about US$650 million.

Four cornerstone investors have pledged to subscribe to a total US$60 million in Kaisa shares, including Chow Tai Fook Enterprises Ltd.'s Cheng Yu-tung and Chinese Estates (Holdings) Ltd.'s Joseph Lau.

Kaisa's price range translates to a forward price/earnings valuation of six to 7.8 times its forecast 2010 net profit.

Taiwan criticizes China Strategic

By Perris Lee Choon Siong

TAIPEI—A consortium led by Hong Kong's **China Strategic Holdings** Ltd. shouldn't have agreed to sell a stake in **Nan Shan Life Insurance** Co. before Taiwan regulators had agreed to let the consortium buy the insurer, Taiwan's Financial Supervisory Commission said Friday.

The consortium, which includes Hong Kong-based investment company **Primus Financial Holdings** Ltd., agreed to acquire **Nan Shan Life**, **American International Group** Inc.'s Taiwan unit, in October for US$2.15 billion. But the island's Investment Commission turned down the proposal this month, telling it to submit more documents.

The deal's approval by the Investment Commission is still pending, and then it will require the FSC's approval.

Last week, China Strategic said it had agreed to sell **Chinatrust Financial Holding** Co. a 30% stake in Nan Shan Life for a 9.95% stake in Chinatrust.

"The timing was wrong, and the whole arrangement was just very crude, which has put the credibility of the China Strategic consortium in question," FSC Secretary General Lu Ting-chieh said Friday, referring to the deal with Chinatrust. "It totally complicates the approval process."

China Strategic and Primus's plan to acquire Nan Shan Life, which is 97.5%-owned by AIG, has already encountered stiff opposition from Nan Shan Life's union members, who have demanded that their provident funds be fully repaid.

Concerns in Taiwan that China Strategic is funding the deal with Chinese money have also generated skepticism about the acquisition.

China Strategic Chief Executive Raymond Or said Thursday that none of his company's shareholders hold mainland Chinese passports.

The FSC's Mr. Lu said: "If the consortium's calculation is that bringing in Chinatrust will help quell any concern about Chinese investment money being involved, the arrangement would deserve some merit. But again, that would set a very bad example...putting us in a 'damned if you do [approve the deal], damned if you don't' scenario," he said, meaning other companies might take it as a precedent.

Mr. Lu said the regulator plans to check with AIG if it was fully informed of the Chinatrust transaction, and whether AIG has a "plan B" should the Taiwan government reject the entire deal.

China Strategic's Mr. Or said his company plans to resubmit its application to buy Nan Shan Life to Taiwan's regulators shortly, adding that he expects final approval in about three months.

AIG's New York-based spokeswoman, Lauren Day, told Dow Jones Newswires that the China Strategic consortium met the criteria set by AIG to protect the interests of policy holders, agents, employees and the people of Taiwan. "AIG continues to work actively and closely with the regulators to achieve a successful close of the transaction.... We expect that the deal will proceed according to the agreed-upon terms," Ms. Day said. A representative for Chinatrust, Taiwan's largest bancassurance-services provider by market share, said the company will respect the regulator's decision.

A person familiar with the matter said AIG wouldn't object to Chinatrust's involvement, as long as the commitment to protecting the long-term interest of Nan Shan Life's agents and employees is met.

China's 7 Days gains on debut

By Lynn Cowan

A Chinese hotel chain and a U.S. online education company drew in IPO investors Friday, while a coal-mining operation and defense-technology firm didn't generate much interest.

Online education company **Archipelago Learning** Inc. and **7 Days Group Holdings** Ltd., which operates the third-largest brand of economy hotels in China, both closed up 14% from their initial-public-offering prices. **Global Defense Technology & Systems** Inc. edged up 0.6%, while coal miner **Cloud Peak Energy** Inc. dropped 1.1%.

The four deals close out November's IPO market ahead of the Thanksgiving holiday, with no more new stocks expected in the U.S. until early December.

Strong revenue in growing industries appeared to propel shares of 7 Days Group and Archipelago Learning.

China's emerging hotel business, which has been rising rapidly along with the country's economy and tourism, was the main driver for 7 Days Group. It started with five hotels in 2005 and now has 283 hotels operating under its "7 Days Inn" brand; revenue rose 71% in the first nine months of 2009 from a year earlier.

Archipelago, which sells Internet-based educational programs to schools spanning kindergarten through 12th grade, sold its first Study Island product in 2001 and now is used in 21,000 schools in 50 states. The program, which can be customized to measure achievement in subjects from math to science, has gained traction from the growing emphasis on student assessments under the No Child Left Behind law. In the first nine months of 2009, revenue rose 46%. The company warns that school funding for its products could dry up as many localities tighten budgets because of lower tax revenue.

Reuters

Chinese hotel chain 7 Days Group rose 14% on Friday. Chairman and co-founder He Boquan, center, watches the stock's debut at the NYSE.

The New York Stock Exchange is the listing site for 7 Days Group, which sold 10.1 million American depositary shares at the high end of its expected $9-to-$11 price range. Archipelago listed on the Nasdaq Stock Market, where 6.25 million shares were sold at $16.50, at the higher end of its expected $15-to-$17 range.

Both Global Defense Technology and Cloud Peak Energy priced poorly and encountered yawns from investors.

Cloud Peak, which is carving out mining giant **Rio Tinto** PLC's western U.S. coal business, is the third-largest coal producer by output in the Powder River Basin region. Shares were sold at $15, below its expected $16-to-$18 range, and trade on the NYSE.

Global Defense, which sells computer systems, software and services for U.S. national security agencies, sold its shares $13, below its expected $14-to-$16 range.

Garuda Indonesia

AUCTION ANNOUNCEMENT

PT Garuda Indonesia (Persero) will sell assets by means of a public auction for 4 (four) B737-400 aircraft.

The sale documents can be obtained for US$1,000 (One Thousand United States Dollars) at the contact address below.

The terms and conditions of the auction will be published on Wednesday 2 December 2009.

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Asset Management

MARKETS

Investors push Goldman on bonuses

Some large shareholders say they deserve a bigger chunk of its earnings; net is up, but not per share

By Susanne Craig

Some of the largest shareholders in **Goldman Sachs Group** Inc. have urged the Wall Street firm to reduce the size of its bonus pool, arguing that it should pass along more of its blockbuster earnings to investors, according to people familiar with the situation.

The investors hold tens of millions of shares in Goldman Sachs, which is on track to make the biggest employee payout in the firm's 140-year history.

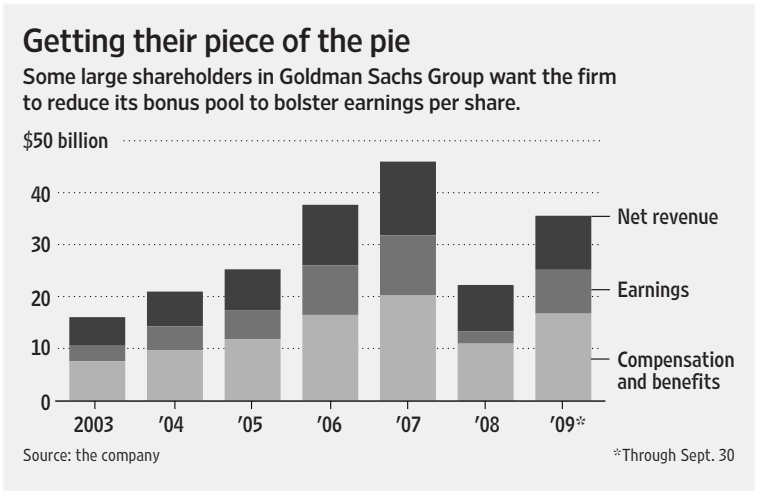
DEALS & DEAL MAKERS

Their complaints in private conversations with the company and at analyst meetings show how anger over its big-money culture is spilling into the ranks of investors who typically shy away from debates over Wall Street pay.

One frustration: Despite record net income and compensation at Goldman as markets rebound and the firm outmuscles weakened rivals for business, analysts expect its 2009 earnings per share to be 22% lower than in 2007 and roughly equal to its 2006 earnings, according to Thomson Financial.

The decline is caused by issuing more than 100 million shares in the past year to bolster Goldman's financial position and capital. The shareholders have said that reining in the bonus pool would deliver an upward jolt to per-share earnings and the share price, according to people familiar with the discussions.

Some major Goldman shareholders also are concerned about a little-noticed change in the company's financial statements that increased the firm's total head count by adding temporary employees and consultants. The change reduced per-employee compensation, making it look like Goldman employees earn less than they actually do.



The figure is a lightning rod for criticism of Goldman because its staff is on pace to earn about $717,000 apiece for 2009. Excluding temporary employees and consultants would increase compensation per employee to about $775,000.

In the second quarter, Goldman Sachs began including temporary workers and consultants in its overall employee count, according to securities filings. Some shareholders and analysts estimate the company's 31,700-person work force as of Sept. 30 includes about 3,000 nonpermanent employees.

Goldman says it wasn't fiddling with the numbers when it added a footnote to its financial statements in July to reflect the change. The firm's reported compensation and benefits pool always included temporary employees and consultants, but they weren't counted in employee totals, according to the New York company.

As a result, Goldman's average of $661,490 per employee in 2007, widely cited as the high-water mark for Wall Street pay, would be smaller on a comparable basis, the company says. It won't disclose the number of temporary workers and consultants currently on Goldman's payroll.

In response to criticism that Goldman should share more of its wealth with investors, company spokesman Lucas van Praag says shareholders "have historically been more focused on the absolute return on equity and on book value per share growth" than per-share earnings.

Since going public in 1999, the company has generated a total return of 159%, compared with negative 2.1% for the Standard & Poor's 500-stock index, Mr. van Praag adds. Goldman shares have more than doubled this year, though they closed down $2.82 a share, or 1.6%, to $170.01 in trading Friday on the New York Stock Exchange.

The large Goldman shareholders aren't pushing for a huge downsizing of the bonus pool, agreeing with the company that it needs to reward employees for performance. But Goldman should better reward shareholders for this year's rebound, these shareholders contend.

Roger Freeman, an analyst at Barclays Capital, says he has heard from some shareholders who are concerned about how much Goldman delivers to shareholders.

Some investors expect Goldman to pay out a smaller percentage of its revenue in the fourth quarter than it did in previous years. "I would be surprised if they came out with a compensation pool this year that is at the level of prior years," says Tom Marsico, founder of Marsico Capital Management LLC, who often talks to Goldman about compensation and capital allocation. His Denver firm held 10.6 million Goldman shares at Sept. 30

Mr. Marsico is less concerned about per-share earnings than other large Goldman shareholders. Over the years, though, he has unsuccessfully encouraged the firm to reward shareholders in other ways, including a special one-time dividend rather than buying back shares. A one-time dividend this year, however, is unlikely because regulators are working on new capital requirements and Goldman and others would need government approval to issue one.

"We think the compensation debate is coming across as a populist issue, when to us it is really about how Goldman and other firms can best allocate capital and how pending changes in the regulatory framework may change all this," Mr. Marsico says.

Michael Mayo, an analyst at Calyon Securities, says reducing the size of Goldman's bonus pool could ease scrutiny of the firm while boosting shareholders, including Goldman employees who own between 10% and 15% of the company's shares. "Employees stand to benefit, the government benefits and shareholders benefit," he says.

Goldman isn't expected to announce how much it will pay employees for 2009 until the company reports fourth-quarter results in January. Employees are likely to get less cash as a percentage of total compensation but more restricted shares that would vest in the future, in line with Wall Street's response to criticism that old pay practices encouraged risk-taking.

In October 2008, Goldman received $10 billion from the U.S. government as one of the first nine recipients of taxpayer-funded capital injections under the Troubled Asset Relief Program. Goldman repaid the money in June but continues to benefit from government help. For instance, it has the ability to borrow from the Federal Reserve. Goldman and other firms won that access after Bear Stearns Cos. collapsed and was sold to J.P. Morgan Chase & Co.

Goldman had an average of 576.9 million diluted shares outstanding in the third quarter, up 29% from a year earlier. As of Sept. 30, the five largest Goldman shareholders were **AllianceBernstein** LP; a **Barclays** PLC unit; a **State Street** Corp. unit;, **Wellington Management** Co.; and **Vanguard Group** Inc., according to LionShares, which tracks institutional ownership of publicly traded companies.

Investors move early to cut back on risk

Continued from page 27

are growing that home prices could suffer renewed declines.

The most concrete sign of these year-end trends is in the government-bond market. Investors have been snapping up short-term Treasury bills, particularly those that come due in January 2010. The buying has been so intense that on Thursday and Friday it drove the yields on some of those bills into negative territory—in other words, buyers were effectively paying the government to keep their cash safe until the start of the year. The rates on such bills dropped to between -0.02% and -0.03% late last week.

Yields also went negative a year ago during the financial crisis. Unlike in late 2008, however, investors don't seem to be acting out of a paroxysm of fear. Elsewhere in the credit markets there is little sign of renewed stress.

"This is more of an end-of-the-year play [not] financial Armageddon part 2," wrote Kevin Giddis, head of fixed income at Morgan Keegan, in a note to clients.

Traders said that if the unusual phenomena in the Treasury-bill market intensifies, it could prompt regulators to intervene. For example, the Fed could temporarily increase the supply of Treasury bills by putting its own inventory of securities into the market as collateral for loans. By making Treasury bills less scarce, prices could fall and yields rise.

This year-end is proving unnerving for investors in another way: For the first time, the biggest banks in the U.S. are all using Dec. 31 as the end of their financial year. For example, last year Goldman Sachs Group Inc. and Morgan Stanley both closed their books on Nov. 30, giving them a clean slate as of December. That gave them more capacity to use their balance sheet to help clients finance positions or take on securities at year end.

But this time around, dealers may be more cautious at the same time as their clients are looking to bridge turn-of-the-year capital needs. "It leaves December very exposed as a month with bad liquidity," says Stephen Jen, a managing director BlueGold Capital Management in London.

Todd Sandoz, co-head of equities, Americas at Credit Suisse, is less concerned. He points to the flood of money going into Treasury bills as evidence. "There's tons of liquidity," he says.

In the stock market, the clearest sign of the pullback from the market has been in trading volume. Last week, volume averaged 4.2 billion shares a day, the lightest since the July 4 holiday week. That's down an average of about 5.5 billion from August through the end of October.

Ordinarily, investors looking to shift their portfolios to a more defensive posture would simply sell and hold cash. But there's a sense that, at least for the short term, stocks could continue to creep higher. Another issue for some investors is that the speed of this rally means selling now could cause a tax hit from short-term capital gains.

As a result, Mr. Fagen says clients have been looking to protect against a big loss without having to make significant changes to existing holdings. Instead, they are layering on protection through strategies that include options or other derivatives. "We're seeing a lot more hedging than normal," he says.

Among hedge funds that are close to, or above, performance benchmarks that allow them to pocket extra fees—commonly known as high-water marks—there has been some reduction of leverage in their portfolios, says Credit Suisse's Mr. Sandoz. That way if they suffer a loss, the impact on the portfolio is lessened.

Another shift is that investors who correctly played the stock-market rebound by loading portfolios with lower-quality but higher-volatility stocks—so-called high beta names—are now moving to higher-quality and less-volatile stocks, Mr. Sandoz says. That's another way of staying invested, but with less risk of suffering a sudden, outsized loss.

Watch new-home sales, not those of existing homes

[AHEAD OF THE TAPE]

By Kelly Evans

U.S. existing-home sales have surged by about 25% from January through September of this year and probably hit a new 2009 high last month. Yet that doesn't mean the housing market—or the broader economy—is following suit.

Forecasters expect sales of existing U.S. homes to rise another 2% to 3% to a seasonally adjusted annual rate of 5.7 million units when the **National Association of Realtors** reports the October figures on Monday.

October sales were likely driven by the looming Nov. 30 expiration of the first-time home buyer tax credit, which has since been extended through mid-2010, and bargain prices on "distressed" properties such as foreclosures.

But sales of existing homes, which make up more than 85% of the market, aren't typically looked to as a leading indicator of U.S. economic activity.

For that, construction and sales of new homes hold far bigger sway. Construction feeds directly into the calculation of U.S. gross domestic product, while sales directly influence GDP only through brokers' fees and commissions. And amid a glut of excess inventory and a growing foreclosure pipeline, the signal from new homes right now is much more cautious.

Last week, the Commerce Department said new home construction sank 10.6% in October to an annualized rate of 529,000 units, the lowest since April. Many economists in turn cut their estimates of this quarter's GDP toward 3% from 3.5%.

What the housing sector—and the U.S. economy—badly needs right now is the formation of new households to move into vacant properties and help spur demand for new ones.

Monday's existing-home sales report is likely to grab the market's attention. But Wednesday's read on new-home sales will probably be a more telling indicator of what's in store for the economy.

Formal end to Crescent mess

After heavy losses, Morgan Stanley hands property portfolio to Barclays

By Lingling Wei

Morgan Stanley officially closed the book on its disastrous $6.5 billion acquisition of **Crescent Real Estate Equities** Co. by handing the keys to lender **Barclays Capital**—and the man who sold the properties to the firm at the top of the market.

Morgan Stanley turned over the portfolio of more than 1.5 million square meters of office towers, resorts and hotels, which it had acquired in 2007 with a $2 billion loan provided by Barclays. The debt was due on Friday.

Barclays formed a joint venture with **Goff Capital** Inc. to take over the properties and named John Goff, co-founder of Crescent before it was sold to Morgan, chairman and chief executive of the new joint venture.

"Given his extensive knowledge of the Crescent portfolio, John is well suited to manage the company going forward," said Haejin Baek, head of commercial-real-estate capital markets at Barclays Capital.

The move marks the latest of several setbacks for the firm known as one of Wall Street's largest property investors and managers. Morgan already has taken about $951 million in write-downs and other losses from Crescent, which owned 54 office buildings, resorts and housing projects at the time of the firm's 2007 buyout.

Crescent (2)

The Crescent Dallas is part of the property firm's large portfolio.

"The quality of Crescent's portfolio is strong," Mr. Goff said, adding that the new venture intends to "manage the company through the current cycle and ensure that we are well positioned for the market recovery."

The Crescent deal underscores the problems faced by U.S. financial institutions as a result of their aggressive push into commercial real estate when credit was easy and prices were rising. Commercial-real-estate problems began mounting last year as the credit crisis made refinancing debt difficult. But the situation is worsening because thousands of hotels, office buildings, stores and other properties are seeing declining incomes and can no longer pay debt service on the money they borrowed when times were good.

Morgan's plans for Crescent ran off the track soon after it bought the portfolio from Richard Rainwater, the renowned Texas investor, and Mr. Goff.

Morgan originally planned to put the properties in one of the real-estate funds it manages for institutions and wealthy individuals. But fund investors balked at buying the buildings at top-of-the-market prices, forcing Morgan to keep the properties on its own balance sheet.

The Barclays debt originally was due Aug. 3, but the bank agreed to extend it several times.

Investment firms without the balance sheets of large investment banks typically don't buy property for real-estate funds until the money has been raised.

The benefit of buying before the money is in place—as Morgan Stanley did with Crescent—is that it allows investment banks to move quickly. But they risk losing investor commitments if the property they buy becomes undesirable.

Morgan Stanley has been one of the most active real-estate fund managers. The firm raised at least $14 billion in 2006 and 2007 for its series of real-estate funds known as MSREF, which have taken some big hits as the property market has soured.

The California State Teachers' Retirement System, for instance, reported that its $400 million investment in Morgan Stanley's MSREF VI International LP fund was down 80% as of March 31, and that its $137 million net investment in the MSREF V U.S. LP fund was worth $300,000. Other Calstrs real-estate investments with Morgan Stanley have fared better.

MSREF's bad bets include an investment in North Carolina developer Crescent Resources (unrelated to Crescent Real Estate Equities), which filed for bankruptcy protection in June, and a $3 billion portfolio of German office buildings.

Bank memo: China ordered loans curbed

BEIJING—China's banking regulator has ordered a midsize Chinese commercial bank to curb its lending for the final two months of this year, according to an internal bank memo reviewed by Dow Jones Newswires on Friday.

The memo, which was circulated to executives at the state-controlled lender Thursday, says the China Banking Regulatory Commission had issued an "urgent notice" for the bank to curb its lending.

A CBRC official on Friday denied that the regulator had issued such a notice.

It wasn't clear from the bank's memo whether it had received a formal written notice from the regulator. The bank's memo says the curbs "are political requirements and are not negotiable."

According to the bank's memo, the regulator told the bank that for November and December it can't increase its outstanding loans from the level at the end of October.

The memo was shown to Dow Jones Newswires by a bank executive. It isn't clear whether the regulator's instruction is directed at the individual bank, which has had higher-than-average loan growth this year, or is part of a broader effort to control lending risks. Several executives at other Chinese banks said they hadn't received similar orders.

The surge in China's loan growth this year, driven by the government's stimulus program, has raised broad concerns about possible asset bubbles and risks to the banking system.

But the central bank has said it won't resort to blunt tools, like controlling the amount of new lending, to regulate loan growth.

Regulators did quietly impose quantitative limits on lending in late 2007 to cool the economy, but were heavily criticized for the move later and, in any case, lending surged again in early January.

Financial regulators have in recent months been pushing Chinese banks to beef up their risk-management controls and make sure the structure of their lending supports growth in the real economy.

Regulators in China regularly resort to oral "window guidance" to instruct individual banks or the industry as a whole to fall into line with official policy goals.

The bank memo's instructions don't necessarily mean the bank can't issue any new loans at all, because loans maturing in November and December could be replaced by new debt.

The memo also says the bank must ensure its capital-adequacy ratio doesn't fall below 10%, the standard that the CBRC has required since the fourth quarter of last year amid the global financial crisis.

China's Haitong to buy Hong Kong broker Taifook

By Amy Or

HONG KONG—China's **Haitong Securities** Co. agreed to buy a 53% stake in local brokerage **Taifook Securities Group** Ltd. from **NWS Holdings** Ltd. for US$235 million, the first time a Chinese brokerage is buying into a Hong Kong counterpart, people familiar with the situation said Sunday.

The acquisition, which was expected, will trigger a general offer for the remaining shares Haitong doesn't own and values Taifook at about US$440 million. According to Hong Kong listing regulations, a buyer of more than 30% of a listed company has to make a general offer for the whole firm.

Haitong's acquisition of Taifook, which focuses on the retail market, puts it into position to gain from the huge inflows of Chinese money into locally listed shares expected when China allows mainland investors to buy Hong Kong stocks directly. China has postponed implementing its so-called "through-train policy," which would allow the purchases. The government hasn't said when the plan might go ahead.

In the deal, Haitong agreed to buy Taifook shares at just under 4.9 Hong Kong dollars (63 US cents) a share, slightly more than the HK$4.85 at which Taifook traded on Nov. 13, before its shares were suspended pending news of the acquisition, they said.

Taifook shares had more than tripled this year, outperforming the Hang Seng Index's 56% rise. Its share price shot up 20% in two days after NWS said on Nov. 11 that it was in talks to sell some or all of its holdings in Taifook.

NWS Holdings, the services and infrastructure arm of property developer **New World Development** Co., will continue to own 9%, down from its current 61.86% stake.

"NWS wants to shed the broker and concentrate on its infrastructure business," one person said. "But the company is confident that Haitong's purchase will be able to create synergy with its mainland brokerage operations. Therefore it opts to retain a small stake."

Taifook, which has 11 outlets in Hong Kong and one in Macau that cater to more than 120,000 individuals, has had a tough time recently.It has strugged with fewer deals to advise on, falling securities-trading volume and declining assets under management in the aftermath of the global financial crisis. It posted a net profit of HK$189 million (US$24 million) in the 18 months ended June 30, compared with a net profit of HK$484.8 million for the 12 months ended December 2007.

Haitong is China's second-largest brokerage in China by assets after Citic Securities Co. with a 6.7% share of China's equity capital market deals so far this year, according to Dealogic.

HSBC Holdings PLC is advising Haitong, while **BOC International Holdings** Ltd. is the adviser to NWS, the people said.

Copper futures

Daily settlement price on the continuous front-month contract on the Comex division of Nymex

Friday: $3.105 a pound, up 2.7 cents

Source: Thomson Reuters via WSJ Market Data Group

Copper price defies reality; stockpiles rise

By Carolyn Cui and Andrea Hotter

Copper's continuous rally in the face of swelling inventories—a sign of weak consumption—has perplexed many in the market.

Copper stockpiles at London Metal Exchange warehouses are at their highest level since April. In China, the world's biggest consumer of the metal, copper stocks have risen sixfold at the Shanghai Futures Exchange this year. And at Comex, the metals division of CME Group, stocks are their highest level since August 2004.

Yet, copper soared 5% last week to $3.1050 per pound on Comex. This year, the metal has more than doubled, rising 123%.

"Every day the base metals trade more and more like precious metals," wrote Michael Jansen, an analyst with J.P. Morgan Chase, in a Friday note. The price of gold has little relationship to how much bullion is sitting at the vaults.

For now, the market is looking beyond the warehouses. The combination of an anticipated economic recovery, concern over labor disruptions and a weaker U.S. dollar has overwhelmed the bearish effects of the buildup of copper, analysts say.

The consensus is that next year's copper market will be tighter, said Catherine Virga of CPM Group, a commodity-research firm. Copper is a bellwether for the economy because it is mainly used in housing and other cyclical sectors, so it tends to lead other commodities.

Also weighing on traders' minds is a series of wage negotiations that could threaten copper production in South America and Canada. A strike at **BHP Billiton**'s Spence mine entered its 39th day on Friday. In the next two months, two major mines, accounting for about 9% of total copper supply, will hold wage talks with unions.

"When you have supply shocks, there could be temporary breaks which could alter analysts' supply and demand forecasting," Ms. Virga said. "There's scope for correction once we move past negotiations."

Still, record storage is an overhanging factor for the market. J.P. Morgan's Mr. Jansen said watching Shanghai stocks is "absolutely paramount" to capture the turning point for a decline in inventories.

Chinese consumers probably will start buying copper domestically before going into the international markets. It might take several months for China to work through the accumulating inventory, he said.

Euro rebound seen, but not past $1.50

By Fabio Alves

CURRENCY MARKETS

The euro should stage a limited rebound against the dollar this week, though trading is likely to be subdued because of the U.S. Thanksgiving holiday, keeping the shared currency from edging past $1.50.

Market conditions should help confine the euro and dollar to their recent trading ranges, said Brian Kim, a currency strategist at UBS in Stamford, Conn.

"Trading will probably be choppy as not too many people are going to be here, so obviously liquidity is going to be less," Mr. Kim said. "There's data but not data that fundamentally will push things in a different direction."

U.S. financial markets will be closed Thursday for Thanksgiving. Foreign-exchange trading is expected to remain thin Friday as many investors choose to take a long weekend break, with markets in Singapore and several other Asian countries also closed Friday. Japanese markets will be closed Monday.

The euro could see some support this week, but not enough to breach the psychologically important $1.50 level, said Andrew Chevariat, technical foreign-exchange strategist at BNP Paribas in New York.

The euro should trade between $1.4725 and $1.4950, while the dollar moves between 88.30 yen and 89.45 yen, Mr. Chevariat said.

Late in New York on Friday, the euro was at $1.4862 from $1.4919 late Thursday. The dollar was little changed at 89.03 Japanese yen from 89.08 yen, while the euro was at 132.32 yen from 132.90 yen. The U.K. pound was at $1.6509 from $1.6659. The dollar was at 1.0175 Swiss francs from 1.0134 francs.

"It's going to be very difficult [for the euro to get back above $1.50] given some of the weakness on Wall Street and in some of the commodities markets," Mr. Chevariat said.

The euro tumbled to a two-week low of $1.4800 on Friday, before regaining some ground in New York.

Demand for higher-yielding currencies and other riskier assets was hurt at the end of the week by renewed concerns about the speed of the global economic recovery. Indications from around the world of a more restrictive official stance toward capital flows and currency volatility also contributed to a more cautious investment environment.

While there are a number of U.S. economic reports set for release this week, analysts said they aren't the type that usually moves currency markets. However, investors will cast an eye to personal income and spending data for October and a revision to third-quarter gross-domestic-product figures. Both reports are scheduled to be released on Wednesday.

Sydney stocks drift; Nikkei below 9500

By Alex Wilson And Matthew Allen

ASIA-PACIFIC STOCKS

Australian stocks fell sharply Friday and traders said the market could continue to drift this week with no positive catalyst in sight and some concerns creeping in about the global economy.

However, many say the pullback was a healthy correction after a strong rally and believe that the market will resume its uptrend after a period of stabilization.

The S&P/ASX 200 shed 1.3% to 4685.76. It was the biggest one-day drop since Nov. 2.

One of the biggest losers was **Insurance Australia Group**, which slumped 6.9% after **QBE Insurance** downplayed speculation it could launch a fresh takeover bid for its rival. QBE rose 0.4%.

The big diversified miners were sold on weaker commodity prices. **BHP Billiton** fell 2% and **Rio Tinto** slid 1.9%.

Sims Metal Management raised 400 million Australian dollars ($367.8 million) through the sale of shares at A$21 each, a 5.4% discount to the closing price Thursday.

In Tokyo, Japan's Nikkei Stock Average of 225 companies declined 0.5% to 9497.68, ending below 9500 for the first time since July 17. It fell 2.8% for the week, its fourth losing week in a row.

Banking stocks staged a modest rebound after a string of declines on concerns about equity dilution from capital-boosting measures. **Mitsubishi UFJ Financial Group** gained 1.1%, **Mizuho Financial Group** added 1.9% and **Resona Holdings** climbed 2.5%.

But analysts remained cautious about banks after a government proposal to provide debt relief to small businesses passed the Lower House on Friday and awaited clearance in the Upper House of the Parliament.

In Mumbai, India's Sensex bucked the regional trend, rising 1.4% to 17021.85 and finishing the week with a 1% gain. Cement maker **ACC** surged 4.6% and aluminum producer **Hindalco Industries** climbed 3.5%.

FUND SCORECARD

Singapore Equity

Funds that invest primarily in Singapore equities. At least 75% of total assets are invested in equities. Ranked on % total return (dividends reinvested) in U.S. dollars for one year ending November 20, 2009

Leading 10 Performers

FUND RATING *	FUND NAME	FUND MGM'T CO.	CURR.	LEGAL BASE	% Return in $US ** YTD	1-YR	2-YR	5-YR
2	**DWS Singapore Sm/Mid Cap A**	Deutsche Asset Mgt (Asia)	SGD	Singapore	**75.13**	100.56	-12.77	NS
1	**HSBC GIF Singapore Equity A Acc**	HSBC Investment Funds (Luxembourg) S.A.	USD	Luxembrg	**77.93**	98.27	-16.45	8.46
2	**JF Singapore A Inc**	JF Asset Management Limited (HK)	USD	Luxembrg	**73.09**	96.88	-15.43	16.10
3	**DBS Shenton Thrift**	DBS Asset Management Limited	SGD	Singapore	**73.10**	93.71	-11.23	9.19
3	**UBS (Lux) EF Singapore USD P**	UBS Equity Fund Management Company S.A.	USD	Luxembrg	**66.60**	93.52	-7.31	15.05
2	**Dresdner RCM New Tiger Singapore A**	Allianz Dresdn. Asset Mgmt Hong Kong Ltd	USD	Luxembrg	**72.31**	92.22	-14.49	13.11
4	**FF - Singapore A USD**	Fidelity (FIL (Luxembourg) S.A.)	USD	Luxembrg	**66.19**	91.01	-5.08	15.18
3	**SSgA Singapore Index Equity Fund P**	State Street Global Advisors France	SGD	France	**66.63**	88.63	-3.88	14.45
3	**DWS Singapore Eq A**	Deutsche Asset Mgt (Asia)	SGD	Singapore	**66.99**	87.66	-6.77	15.41
3	**LionGlobal Singapore Trust SGD**	Lion Global Investors Ltd	SGD	Singapore	**65.94**	87.61	-8.01	13.47

NOTE: Changes in currency rates will affect performance and rankings.
KEY: ** 2YR and 5YR performance is annualized
NA-not available due to incomplete data;
NS-fund not in existence for entire period

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
AHW the relaxed way to invest									
■ AHW CAPITAL MANAGEMENT									
Tel (+49) 1805 - 23 82 82									
www.ahw-capital.com									
AHW Top-Div.Int.	GL	EQ	LUX	11/20	EUR	54.33	20.5	27.9	-27.7
AllianceBernstein									
■ ALLIANCE BERNSTEIN									
www.alliancebernstein.com/investments Tel. +800 2263 8637									
Am Eq Blend A	OT	OT	LUX	11/19	USD	10.25	24.8	39.1	-14.5
Am Eq Blend B	US	EQ	LUX	11/19	USD	9.64	23.7	37.7	-15.3
Am Growth A	US	EQ	LUX	11/19	USD	30.39	32.7	55.1	-5.6
Am Growth AX	US	EQ	LUX	11/19	USD	32.78	33.4	55.9	-5.1
Am Growth B	US	EQ	LUX	11/19	USD	25.58	31.5	53.4	-6.6
Am Growth C	US	EQ	LUX	11/19	USD	27.51	32.2	54.4	-6.0
Am Growth I	US	EQ	LUX	11/19	USD	33.65	33.6	56.3	-4.9
Am Income A	US	BD	LUX	11/19	USD	8.43	23.8	34.5	5.4
Am Income A2	US	BD	LUX	11/19	USD	18.92	24.3	34.5	5.4
Am Income A2	OT	OT	NA	11/19	HKD	146.63	NS	NS	NS
Am Income AT	OT	OT	NA	11/19	HKD	65.41	NS	NS	NS
Am Income AT	US	BD	LUX	11/19	USD	8.44	24.3	34.6	5.4
Am Income B	US	BD	LUX	11/19	USD	8.43	23.0	33.3	4.6
Am Income B2	US	BD	LUX	11/19	USD	16.32	23.5	33.6	4.7
Am Income B2	OT	OT	NA	11/19	HKD	126.48	NS	NS	NS
Am Income BT	OT	OT	NA	11/19	HKD	65.72	NS	NS	NS
Am Income BT	US	BD	LUX	11/19	USD	8.48	23.5	33.5	4.6
Am Income C	US	BD	LUX	11/19	USD	8.43	23.3	33.8	4.8
Am Income C2	US	BD	LUX	11/19	USD	24.27	23.9	33.9	4.9
Am Income I	US	BD	LUX	11/19	USD	8.43	24.5	35.3	6.0
Am Value A	US	EQ	LUX	11/19	USD	8.43	16.9	41.0	-13.7
Am Value B	US	EQ	LUX	11/19	USD	7.76	15.6	39.3	-14.6
Am Value C	US	EQ	LUX	11/19	USD	8.43	16.3	40.3	-14.1
Am Value I	US	EQ	LUX	11/19	USD	9.06	17.7	42.0	-13.0
Asian Technology A	OT	OT	LUX	11/19	USD	14.55	66.3	94.5	-5.1
Asian Technology B	OT	EQ	LUX	11/19	USD	12.74	64.8	92.4	-6.0
Asian Technology I	OT	EQ	LUX	11/19	USD	16.21	67.5	96.0	-4.3
Emg Mkts Debt A	GL	BD	LUX	11/19	USD	15.60	43.1	61.1	7.9
Emg Mkts Debt A2	GL	BD	LUX	11/19	USD	20.01	43.8	61.1	8.0
Emg Mkts Debt AT	GL	BD	LUX	11/19	USD	15.69	43.8	61.1	8.0
Emg Mkts Debt B	GL	BD	LUX	11/19	USD	15.60	41.9	59.6	6.8
Emg Mkts Debt B2	GL	BD	LUX	11/19	USD	19.29	42.5	59.4	6.9
Emg Mkts Debt BT	GL	BD	LUX	11/19	USD	15.67	42.5	59.4	6.9
Emg Mkts Debt C	GL	BD	LUX	11/19	USD	15.60	42.6	60.4	7.4
Emg Mkts Debt C2	GL	BD	LUX	11/19	USD	19.67	43.2	60.3	7.4
Emg Mkts Debt I	GL	BD	LUX	11/19	USD	15.60	43.7	61.9	8.5
Emg Mkts Growth A	GL	EQ	LUX	11/19	USD	33.49	67.1	94.6	-14.3
Emg Mkts Growth B	GL	EQ	LUX	11/19	USD	28.42	65.7	92.7	-15.1
Emg Mkts Growth C	GL	EQ	LUX	11/19	USD	29.05	66.5	93.8	-14.7
Emg Mkts Growth I	GL	EQ	LUX	11/19	USD	37.09	68.3	96.1	-13.6
Eur Growth A	OT	OT	LUX	11/19	USD	10.25	23.3	27.0	-18.0
Eur Growth A	OT	OT	LUX	11/19	EUR	6.87	23.3	27.0	-18.0
Eur Growth B	OT	OT	LUX	11/19	EUR	6.18	22.1	25.6	-18.8
Eur Growth B	OT	OT	LUX	11/19	USD	9.22	22.1	25.6	-18.8
Eur Growth C	EU	EQ	LUX	11/19	EUR	5.20	22.6	26.2	-18.5
Eur Growth I	OT	OT	LUX	11/19	USD	11.16	24.0	27.9	-17.4
Eur Growth I	OT	OT	LUX	11/19	EUR	7.48	24.0	27.9	-17.4
Eur Income A	OT	OT	LUX	11/19	EUR	6.63	38.8	33.1	3.3
Eur Income A	OT	OT	LUX	11/19	USD	9.89	38.8	33.1	3.3
Eur Income A2	OT	OT	LUX	11/19	EUR	12.83	39.3	33.2	3.3
Eur Income A2	OT	OT	LUX	11/19	USD	19.14	39.3	33.2	3.3
Eur Income AT	EU	BD	LUX	11/19	EUR	6.64	39.3	33.3	3.3
Eur Income B	OT	OT	LUX	11/19	EUR	6.63	38.0	32.2	2.6
Eur Income B	OT	OT	LUX	11/19	USD	9.89	38.0	32.2	2.6
Eur Income B2	OT	OT	LUX	11/19	EUR	11.94	38.4	32.2	2.6
Eur Income B2	OT	OT	LUX	11/19	USD	17.81	38.4	32.2	2.6
Eur Income BT	EU	BD	LUX	11/19	EUR	6.64	38.5	32.2	2.6
Eur Income C	OT	OT	LUX	11/19	EUR	6.63	38.3	32.5	2.9
Eur Income C	OT	OT	LUX	11/19	USD	9.89	38.3	32.5	2.9
Eur Income C2	OT	OT	LUX	11/19	EUR	12.80	38.8	32.6	2.9
Eur Income C2	OT	OT	LUX	11/19	USD	19.09	38.8	32.6	2.9
Eur Income I	OT	OT	LUX	11/19	EUR	6.63	39.3	33.8	3.9
Eur Income I	OT	OT	LUX	11/19	USD	9.89	39.3	33.8	3.9
Eur Strat Value A	OT	OT	LUX	11/19	EUR	8.30	19.3	29.3	-21.6
Eur Strat Value A	OT	OT	LUX	11/19	USD	12.38	19.3	29.3	-21.6
Eur Strat Value I	OT	OT	LUX	11/19	EUR	8.49	20.1	30.4	-20.9
Eur Strat Value I	OT	OT	LUX	11/19	USD	12.66	20.1	30.4	-20.9
Eur Value A	OT	OT	LUX	11/19	USD	13.33	22.8	33.8	-18.7
Eur Value A	OT	OT	LUX	11/19	EUR	8.94	22.8	33.8	-18.7
Eur Value B	OT	OT	LUX	11/19	EUR	8.23	21.6	32.3	-19.5
Eur Value B	OT	OT	LUX	11/19	USD	12.28	21.6	32.3	-19.5
Eur Value C	OT	OT	LUX	11/19	USD	12.90	22.2	33.3	-19.0
Eur Value C	OT	OT	LUX	11/19	EUR	8.65	22.2	33.3	-19.0
Eur Value I	OT	OT	LUX	11/19	EUR	15.38	23.5	34.8	-18.0
Eur Value I	OT	OT	LUX	11/19	USD	10.31	23.5	34.8	-18.0
Gl Balanced (Euro) A	OT	OT	LUX	11/19	USD	16.78	18.7	26.7	-11.3
Gl Balanced (Euro) B	OT	OT	LUX	11/19	USD	16.36	17.6	25.4	-12.2
Gl Balanced (Euro) C	OT	OT	LUX	11/19	USD	16.66	18.5	26.4	-11.6
Gl Balanced (Euro) I	OT	OT	LUX	11/19	USD	17.08	NS	NS	NS
Gl Balanced A	US	BA	LUX	11/19	USD	16.42	23.6	36.4	-10.3
Gl Balanced B	US	BA	LUX	11/19	USD	15.63	22.5	35.1	-11.2
Gl Balanced C	OT	OT	LUX	11/19	USD	16.19	23.3	36.1	-10.5
Gl Balanced C	OT	OT	LUX	11/19	EUR	10.85	23.3	36.1	-10.5
Gl Balanced I	US	BA	LUX	11/19	USD	17.02	24.3	37.4	-9.6
Gl Bond A	US	BD	LUX	11/19	USD	9.32	12.9	18.3	4.7
Gl Bond A2	US	BD	LUX	11/19	USD	16.07	13.1	18.3	4.6
Gl Bond A2	OT	OT	NA	11/19	HKD	124.55	13.1	18.3	4.6
Gl Bond AT	OT	OT	LUX	11/19	HKD	72.23	13.1	18.3	4.6
Gl Bond AT	US	BD	LUX	11/19	USD	9.32	13.1	18.3	4.6
Gl Bond B	US	BD	LUX	11/19	USD	9.32	11.9	17.1	3.6
Gl Bond B2	US	BD	LUX	11/19	USD	14.09	12.1	17.1	3.6
Gl Bond B2	OT	OT	NA	11/19	HKD	109.20	12.1	17.1	3.6
Gl Bond BT	OT	OT	LUX	11/19	HKD	72.54	12.2	17.2	3.6
Gl Bond BT	US	BD	LUX	11/19	USD	9.36	12.2	17.2	3.6
Gl Bond C	US	BD	LUX	11/19	USD	9.32	12.4	17.8	4.2
Gl Bond C2	US	BD	LUX	11/19	USD	13.95	12.6	17.8	4.1
Gl Bond I	US	BD	LUX	11/19	USD	9.32	13.4	19.0	5.3
Gl Conservative A	US	BA	LUX	11/19	USD	14.95	16.0	23.3	-3.8
Gl Conservative A2	US	BA	LUX	11/19	USD	16.92	16.0	23.4	-3.7
Gl Conservative B	US	BA	LUX	11/19	USD	14.92	15.0	22.1	-4.7
Gl Conservative B2	US	BA	LUX	11/19	USD	16.09	15.0	22.1	-4.7
Gl Conservative C	US	BA	LUX	11/19	USD	14.93	15.6	22.8	-4.2
Gl Conservative C2	US	BA	LUX	11/19	USD	16.56	15.6	22.8	-4.2
Gl Conservative I	US	BA	LUX	11/19	USD	15.02	16.9	24.4	-3.0
Gl Eq Blend A	GL	EQ	LUX	11/19	USD	11.57	29.4	48.7	-20.5
Gl Eq Blend B	GL	EQ	LUX	11/19	USD	10.87	28.3	47.3	-21.3
Gl Eq Blend C	GL	EQ	LUX	11/19	USD	11.37	28.9	48.0	-20.9
Gl Eq Blend I	GL	EQ	LUX	11/19	USD	12.19	30.4	49.9	-19.9
Gl Growth A	GL	EQ	LUX	11/19	USD	41.39	28.3	44.1	-21.4
Gl Growth B	GL	EQ	LUX	11/19	USD	34.59	27.2	42.6	-22.2
Gl Growth C	GL	EQ	LUX	11/19	USD	39.73	27.8	43.4	-21.8
Gl Growth I	GL	EQ	LUX	11/19	USD	45.91	29.3	45.2	-20.8
Gl High Yield A	US	BD	LUX	11/19	USD	4.26	55.9	63.4	3.2
Gl High Yield A2	US	BD	LUX	11/19	USD	9.03	56.8	63.3	3.2
Gl High Yield A2	OT	OT	NA	11/19	HKD	69.98	56.8	63.3	3.2
Gl High Yield AT	OT	OT	NA	11/19	HKD	32.78	56.9	63.4	3.1
Gl High Yield AT	US	BD	LUX	11/19	USD	4.23	56.9	63.4	3.1
Gl High Yield B	US	BD	LUX	11/19	USD	4.26	54.2	61.2	1.9
Gl High Yield B2	US	BD	LUX	11/19	USD	14.53	55.4	61.8	2.2
Gl High Yield B2	OT	OT	NA	11/19	HKD	112.61	55.4	61.8	2.2
Gl High Yield BT	OT	OT	NA	11/19	HKD	33.33	55.0	61.5	2.2
Gl High Yield BT	US	BD	LUX	11/19	USD	4.30	55.0	61.5	2.2
Gl High Yield C	US	BD	LUX	11/19	USD	4.26	55.1	62.5	2.6
Gl High Yield C2	US	BD	LUX	11/19	USD	13.39	56.2	62.7	2.7
Gl High Yield I	US	BD	LUX	11/19	USD	4.26	56.8	64.6	3.8
Gl Value A	GL	EQ	LUX	11/19	USD	11.09	30.6	53.6	-19.6
Gl Value B	GL	EQ	LUX	11/19	USD	10.20	29.4	52.0	-20.4
Gl Value C	GL	EQ	LUX	11/19	USD	10.79	30.2	53.0	-19.9
Gl Value I	GL	EQ	LUX	11/19	USD	11.79	31.6	54.9	-18.9
Greater China A	AS	EQ	LUX	11/19	USD	39.75	55.0	85.8	-16.1
Greater China B	AS	EQ	LUX	11/19	USD	35.22	53.6	84.0	-17.0
Greater China C	AS	EQ	LUX	11/19	USD	39.27	54.4	85.1	-16.5
India Growth A	OT	OT	LUX	11/19	USD	121.56	NS	NS	NS
India Growth AX	OT	OT	LUX	11/19	USD	106.22	83.9	95.3	-11.0
India Growth B	OT	OT	LUX	11/19	USD	127.49	NS	NS	NS
India Growth BX	OT	OT	LUX	11/19	USD	90.90	82.3	93.3	-11.9
India Growth I	EA	EQ	LUX	11/19	USD	110.01	84.5	96.0	-10.7
Int'l Health Care A	OT	EQ	LUX	11/19	USD	131.97	12.4	21.1	-10.1
Int'l Health Care B	OT	EQ	LUX	11/19	USD	111.45	11.4	19.9	-11.0
Int'l Health Care C	OT	EQ	LUX	11/19	USD	126.55	12.0	20.5	-10.5
Int'l Health Care I	OT	EQ	LUX	11/19	USD	144.06	13.2	22.0	-9.4
Int'l Technology A	OT	EQ	LUX	11/19	USD	104.23	42.5	62.4	-12.7
Int'l Technology B	OT	EQ	LUX	11/19	USD	90.42	41.2	60.8	-13.6
Int'l Technology C	OT	EQ	LUX	11/19	USD	100.78	41.9	61.7	-13.1
Int'l Technology I	OT	EQ	LUX	11/19	USD	116.76	43.5	63.7	-12.0
Japan Eq Blend A	JP	EQ	LUX	11/19	JPY	5401.00	0.7	14.0	-25.9
Japan Eq Blend B	JP	EQ	LUX	11/19	JPY	5217.00	-0.2	12.8	-26.6
Japan Eq Blend C	JP	EQ	LUX	11/19	JPY	5317.00	0.2	13.5	-26.2
Japan Growth A	JP	EQ	LUX	11/19	JPY	5330.00	-4.2	5.0	-26.1
Japan Growth B	JP	EQ	LUX	11/19	JPY	5149.00	-5.0	3.9	-26.8
Japan Growth C	JP	EQ	LUX	11/19	JPY	5248.00	-4.6	4.5	-26.4
Japan Strat Value A	JP	EQ	LUX	11/19	JPY	5460.00	5.9	23.4	-25.8
Japan Strat Value B	JP	EQ	LUX	11/19	JPY	5280.00	4.9	22.3	-26.6
Japan Strat Value C	JP	EQ	LUX	11/19	JPY	5372.00	5.4	22.9	-26.2
Real Estate Sec. A	OT	EQ	LUX	11/19	USD	13.90	30.3	67.1	-16.9
Real Estate Sec. B	OT	EQ	LUX	11/19	USD	12.72	29.1	65.4	-17.7
Real Estate Sec. I	OT	EQ	LUX	11/19	USD	14.93	31.2	68.5	-16.2
Short Mat Dollar A	US	BD	LUX	11/19	USD	7.22	10.3	10.0	-7.0
Short Mat Dollar A2	US	BD	LUX	11/19	USD	9.68	10.5	9.8	-7.1
Short Mat Dollar AT	US	BD	LUX	11/19	USD	7.22	10.6	10.0	-7.0
Short Mat Dollar B	US	BD	LUX	11/19	USD	7.22	9.9	9.5	-7.4
Short Mat Dollar B2	US	BD	LUX	11/19	USD	9.64	10.0	9.3	-7.5
Short Mat Dollar BT	OT	OT	LUX	11/19	USD	7.23	9.4	8.8	-7.8
Short Mat Dollar C	US	BD	LUX	11/19	USD	7.22	9.9	9.5	-7.4
Short Mat Dollar C2	US	BD	LUX	11/19	USD	13.63	10.1	9.4	-7.4
Short Mat Dollar I	US	BD	LUX	11/19	USD	7.22	10.8	10.6	-6.5

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
■ ALEXANDRA INVESTMENT MANAGEMENT									
Tel: +1 212 301 1800 Fax: +1 212 301 1810									
Alexandra Convertible Bond Fund I, Ltd. (Class A)	OT	OT	VGB	10/30	USD	1642.69	69.6	71.6	NS
■ CREDIT PACIFIC ASSET MANAGMENT									
www.creditpacific.com									
CPS-Master Priv Fund	GL	OT	WSM	11/18	USD	118.51	18.5	18.1	9.6
PLATINUM CAPITAL MANAGEMENT									
■ PLATINUM CAPITAL MANAGEMENT									
Tel: +44 207 024 9840, www.platinumfunds.net									
Platinm-All Star	OT	OT	CYM	09/30	USD	94.24	12.2	-6.9	-12.2
Platinm-All Weather	OT	OT	USA	10/31	USD	129.92	2.4	3.2	3.8
Platinm-Dynasty	OT	OT	USA	09/30	USD	108.96	6.0	3.6	-31.0
Platinm-Emancipation	OT	OT	USA	09/30	USD	96.83	29.4	0.4	-7.7
Platinm-Equity Plus	OT	OT	USA	05/29	USD	35.02	-18.2	-63.7	-45.6
Platinm-Gbl Dividend	OT	OT	CYM	09/30	USD	59.71	27.4	-18.1	-32.3
Platinm-Nordic	OT	OT	CYM	09/30	SEK	591.49	8.4	-6.2	-19.0
Platinm-Premier	OT	OT	CYM	12/31	USD	21.20	-55.9	-66.0	-44.3
Platinm-Turnberry	OT	OT	USA	09/30	USD	55.93	NS	8.3	-39.0
SUPERFUND									
■ SUPERFUND ASSET MANAGEMENT GMBH									
For info about open funds, contact info@superfund.com and www.superfund.com									
**Closed for New Investments*									
Superfund Cayman*	OT	OT	CYM	11/17	USD	48.56	-41.7	-36.9	5.5
Superfund GCT USD*	GL	EQ	LUX	11/17	USD	2508.00	-31.3	-29.0	4.8
Superfund Green Gold A (SPC)	OT	OT	CYM	11/17	USD	1108.42	-4.7	15.9	18.1
Superfund Green Gold B (SPC)	OT	OT	CYM	11/17	USD	1123.95	-16.6	2.5	16.7
Superfund Q-AG*	OT	OT	AUT	11/17	EUR	7118.00	-18.8	-16.4	7.2
■ WINTON CAPITAL MANAGEMENT LTD									
Tel: +44 (0)20 7610 5350 Fax: +44 (0)20 7610 5301									
Winton Evolution EUR Cls H	OT	OT	CYM	10/30	EUR	939.64	NS	NS	NS
Winton Evolution GBP Cls G	OT	OT	CYM	10/30	GBP	943.02	NS	NS	NS
Winton Evolution USD Cls F	OT	OT	CYM	10/30	USD	1189.62	-6.2	-1.5	3.1
Winton Futures EUR Cls C	OT	OT	VGB	10/30	EUR	192.39	-6.5	0.0	7.8
Winton Futures GBP Cls D	OT	OT	VGB	10/30	GBP	207.72	-6.4	0.6	8.9
Winton Futures JPY Cls E	OT	OT	VGB	10/30	JPY	13589.60	-7.9	-1.6	4.9
Winton Futures USD Cls B	OT	OT	VGB	10/30	USD	682.02	-7.0	-0.3	7.5
Allianz Global Investors									
■ ALLIANZ GLOBAL INVESTORS KAPITALANLAGEGESELLSCHAFT									
Concentra AE	EU	EQ	DEU	11/20	EUR	49.93	28.4	50.5	-11.5
Industria AE	EU	EQ	DEU	11/20	EUR	69.10	32.0	39.8	-17.0
InternRent AE	EU	BD	DEU	11/20	EUR	35.07	3.2	-1.0	9.0

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MARKETS

Asia's euro bond revival

Nations weigh diversifying funding sources as markets open

By Ditas Lopez

SINGAPORE—A revival of euro-denominated bond offerings from Asia looks likely in the coming months as some of the region's borrowers look to diversify their funding sources away from dollars.

But the return of Asia's euro bonds after a lull of several years will depend on whether large European investors regain the confidence needed to take on exposure to the region's debt as the global economy improves and credit markets recover.

BOND MARKETS

The governments of Indonesia and the Philippines, and South Korean policy banks such as the **Export-Import Bank of Korea**, are among those that could tap the euro-denominated bond market in the coming months.

Indonesia is exploring the possibility of issuing its first bond in euros next year to diversify the government's borrowing portfolio, according to Rahmat Waluyanto, the director-general of debt management at Indonesia's Finance Ministry. The decision will depend on market conditions, he said.

Hong Kong conglomerate **Hutchison Whampoa** Ltd. blazed the trail for other borrowers in the region, raising €1.75 billion ($2.6 billion) in seven-year bonds earlier this month.

"I think now as the market opens up you'll see them coming back in earnest," said a debt-syndicate banker in Singapore.

Many buyers of euro-denominated bonds from Asia, such as **Depfa Bank** and **KfW Bank**, virtually stopped buying such assets as the crisis worsened. Instead, they focused on investments that could be tendered at a discount with the European Central Bank to get fast cash. The ECB won't accept non-European assets, or those issued from countries outside of the Organization for Economic Cooperation and Development.

Hutchison Whampoa blazed the trail for other issuers in the region, raising $2.6 billion in seven-year euro-denominated bonds earlier this month.

In recent months, market conditions have improved as risk aversion ebbs in response to signs of better economic growth.

Bankers say it makes sense for some borrowers in the region to issue in euros. Some investors will prefer to stick to dollar holdings because they are more liquid, but there are retail buyers that want euro exposure, which these sovereign issuers can tap.

"Reducing your reliance on a given group of investors—that's prudent, that's good liability management," said the syndicate banker in Singapore.

Japanese bonds

The benchmark 10-year government bond yield hit a six-week intraday low Friday as weakness in the region's share markets increased demand, but a government announcement on deflation didn't offer much support.

The government said in its monthly economic report Friday that the Japanese economy is in deflation. But Naomi Hasegawa, a senior fixed-income strategist at Mitsubishi UFJ Securities, said the declaration didn't—and won't—fuel government bonds much because the government's intent is not to put pressure on the Bank of Japan.

"There aren't any strong and clear warning comments about what the BOJ should do from government officials," she said. "I guess the announcement, probably, is just an excuse for the government to compile a second extra budget" that will be used to stimulate demand to fight deflation.

The benchmark 10-year yield rose 0.01 percentage point to 1.305% after it briefly touched 1.285%, a six-week-low. Analysts said profit-taking was behind the recovery in the yield.

—Takashi Mochizuki in Tokyo contributed to this article.

Treasurys attract end-of-year buyers

By Deborah Lynn Blumberg

The U.S. Treasury is selling $118 billion in shorter-term notes this week to investors who, as year-end draws close, are looking for a safe place to stash the gains made in riskier asset classes.

U.S. CREDIT MARKETS

Markets have also taken heart from repeated reassurances from Federal Reserve officials that rates will remain low for a while as the economy slowly heals.

That should work to the U.S. government's advantage, helping to keep its interest cost in check as it continues to sell hefty amounts of debt to cover the budget deficit, forecast around $1.5 trillion in the year to September 2010.

Short-term Treasurys, the most sensitive to changes in monetary policy, have benefited the most: two-year yields, which move inversely to prices, fell nearly 0.10 percentage point last week. Late Friday, two-year yields were quoted at 0.724%.

"There's just a lot of cash sitting on the sidelines, and there's some apprehension and uncertainty heading into year-end," said Aaron Kohli, Treasurys strategist at RBS.

That should support demand in the auctions, even though they take place during the Thanksgiving week in the U.S. In addition, Japan, the second-largest foreign holder of Treasurys, is closed Monday for the its Labor Thanksgiving holiday.

The Treasury is selling $44 billion in two-year notes Monday, $42 billion in five-year securities Tuesday, and $32 billion in seven-year notes Wednesday. The five- and seven-year auction amounts are each $1 billion more than the Treasury sold at the last five- and seven-year sales in October. That auction round also included $7 billion in five-year inflation-indexed notes, bringing the total to a record $123 billion.

"We're still seeing robust demand for Treasurys," said James Sarni, a senior portfolio manager at Payden & Rygel. "There's still that lingering fear out there that we're going to take another turn down in the economy."

Dallas Fed President Richard Fisher painted a subdued outlook for the economy late last week, saying he expected growth to be revised down this week when the revision is published this week from the 3.5% rate estimated end-October. He said he expects fourth-quarter growth to be a bit lower than that and added it will be some time before the unemployment rate falls back below 10%.

Traders and investors expect the two- and the five-year notes to go well, because they attract foreign buyers. The seven-year sale faces the greatest risk. In recent months, seven-year paper has seen muted demand, and this sale falls just before the Thanksgiving holiday.

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
GAM Arbitrage Op	OT	OT	VGB	11/13	USD	1248.56	23.2	4.8	-9.0
GAM Asia Eq Hdg JPY Op	GL	EQ	VGB	11/16	JPY	14941.40	59.4	61.0	NS
GAM Asia Equity Hedge US	OT	OT	VGB	11/16	USD	282.18	61.7	64.5	-0.5
GAM Asia Equity USD	OT	OT	VGB	11/19	USD	637.06	58.7	85.8	-15.0
GAM Asia-Pacific Eq USD	OT	OT	VGB	11/17	USD	1254.50	16.8	16.8	-16.1
GAM Com Glb Bal EUR Op	US	BA	VGB	11/16	EUR	92.88	15.7	16.1	-9.3
GAM Com Glb Bal USD Op	US	BA	VGB	11/16	USD	128.35	15.7	16.1	-9.3
GAM Comp Glb Eq EUR Op	GL	EQ	VGB	11/16	EUR	94.61	22.6	22.8	-16.2
GAM Comp Glb Eq USD Op	GL	EQ	VGB	11/16	USD	128.03	22.6	22.8	-16.2
GAM Comp Glb Gr EUR Op	US	BA	VGB	11/16	EUR	83.34	16.0	16.6	-13.5
GAM Comp Glb Gr USD Op	US	BA	VGB	11/16	USD	127.44	16.0	16.6	-13.5
GAM CompAbsRT EUR Op	OT	OT	VGB	09/30	EUR	141.71	9.1	0.1	-6.9
GAM CompAbsRT SGD Op	OT	OT	VGB	09/30	SGD	102.21	9.2	-0.1	-8.3
GAM CompAbsRT USD Op	OT	OT	VGB	09/30	USD	845.66	9.5	0.7	-7.0
GAM Cptal Apprec Eq Inc	US	EQ	VGB	11/13	USD	243.20	33.5	33.9	-13.1
GAM Cross Trading Inc	OT	OT	VGB	11/16	USD	467.19	6.8	NS	NS
GAM Diversity CHF Op	OT	OT	VGB	11/16	CHF	94.49	4.4	0.9	-7.5
GAM Diversity EUR Op	OT	OT	VGB	11/16	EUR	649.59	5.3	2.0	-5.8
GAM Diversity USD 2.5XL	OT	OT	VGB	10/30	USD	76.73	6.4	-2.6	-22.6
GAM Diversity USD Op	OT	OT	VGB	11/16	USD	682.16	5.3	NS	NS
GAM Dvrsty II CHF Op	OT	OT	VGB	11/16	CHF	99.79	4.3	NS	NS
GAM Dvrsty II EUR Op	OT	OT	VGB	11/16	EUR	139.10	4.8	1.5	-5.8
GAM Dvrsty II USD Op	OT	OT	VGB	11/16	USD	210.75	4.9	NS	-6.1
GAM DvrstyIII EUR Op	OT	OT	VGB	10/30	EUR	114.70	3.8	0.5	-6.8
GAM DvrstyIII USD Op	OT	OT	VGB	10/30	USD	121.09	3.8	0.4	-6.9
GAM Euro Eq Hdg EUR Op	EU	EQ	VGB	11/16	EUR	211.25	7.1	4.0	-6.3
GAM Euro Eq Hdg USD Op	OT	OT	VGB	11/16	USD	196.60	7.9	5.5	-4.7
GAM European Equity USD	OT	OT	VGB	11/18	USD	307.75	30.8	43.1	-12.5
GAM GAMCO	OT	EQ	VGB	11/17	USD	808.83	39.4	48.2	-12.2
GAM Gb EmMkts Hdg EUROp	OT	OT	VGB	10/30	EUR	97.64	13.2	7.3	-17.5
GAM Gb EmMkts Hdg USDOp	OT	OT	VGB	11/16	USD	105.57	16.6	12.4	-14.8
GAM Gbl Divers USD Inc.	GL	EQ	VGB	11/16	USD	253.75	24.3	25.4	-8.4
GAM Grtr China Eq Hdg Op	GL	EQ	VGB	10/30	USD	261.34	83.0	103.9	5.6
GAM Intrst Trend II	GL	BD	VGB	11/16	USD	96.36	45.8	42.9	-12.1
GAM Intrst Trend Inc	OT	OT	VGB	11/16	USD	254.22	59.6	55.9	-8.1
GAM Japan Eq Hdg EUR Op	AS	EQ	VGB	11/16	EUR	112.44	5.3	-3.8	-8.0
GAM Japan Eq Hdg USD Op	OT	OT	VGB	11/16	USD	117.57	4.5	-3.1	NS
GAM Japan Eq Hdg YEN Open	AS	EQ	VGB	10/30	JPY	8507.22	10.3	7.0	-22.3
GAM Japan USD	JP	EQ	VGB	11/19	USD	1027.18	-0.8	10.8	-18.6
GAM Japan YEN	JP	EQ	VGB	11/19	JPY	8062.39	0.6	7.3	-25.1
GAM Money Mkt EuroOp	EU	MM	VGB	11/18	EUR	51.20	0.1	0.3	1.9
GAM Money Mkt USD	US	MM	VGB	11/18	USD	100.01	0.0	0.0	1.1
GAM Multi-Arb EUR Op	OT	OT	VGB	11/16	EUR	113.39	1.2	-4.0	-9.1
GAM Multi-Arb USD Op	OT	OT	VGB	10/30	USD	118.02	1.1	-4.5	-9.4
GAM Multi-China EUR Op	OT	OT	VGB	10/30	EUR	159.17	7.2	8.0	-15.9
GAM Multi-China USD Op	OT	OT	VGB	10/30	USD	167.40	7.8	8.4	4.1
GAM Multi-Emer Mkts GBP	OT	OT	VGB	10/30	GBP	127.90	22.3	18.7	-4.8
GAM Multi-Emer Mkts USD	OT	OT	VGB	11/16	USD	645.17	24.5	20.2	-3.5
GAM Multi-Eur EUR Op	OT	OT	VGB	10/30	EUR	265.40	5.7	5.2	-12.9
GAM Multi-Eur II EUR Op	OT	OT	VGB	11/16	EUR	138.42	7.1	6.2	-11.4
GAM Multi-Eur II USD Op	OT	OT	VGB	11/16	USD	113.25	6.8	5.5	-12.5
GAM Multi-Eur USD Op	OT	OT	VGB	10/30	USD	462.12	5.5	4.6	-13.9
GAM Multi-Nth Am EUR Special	OT	OT	VGB	11/16	EUR	132.94	11.5	NS	NS
GAM Multi-Nth Am USD Special	OT	OT	VGB	11/16	USD	216.60	11.9	11.3	NS
GAM Multi-Pac EUR Op	GL	EQ	VGB	10/30	EUR	140.15	2.8	2.6	-6.7
GAM Multi-Pac USD Op	OT	OT	VGB	11/16	USD	164.33	4.5	4.2	-5.7
GAM Portable Dvr/S&P500	OT	OT	VGB	08/24	USD	70.11	17.7	-27.7	-22.9
GAM Selection Hdg	US	EQ	VGB	11/13	USD	2501.05	60.7	55.1	7.7
GAM Sing/Malaysia	AS	EQ	VGB	11/19	USD	2452.87	47.7	53.7	-11.6
GAM Sterling Spe Bd Inc	OT	OT	VGB	11/16	GBP	240.02	38.9	34.4	1.3
GAM Trading EUR Inc	OT	OT	VGB	11/16	EUR	326.02	6.6	7.6	7.3
GAM Trading USD Inc	OT	OT	VGB	11/16	USD	975.72	6.8	7.7	6.8
GAM Trdg II IncEUR Op	OT	OT	VGB	11/16	EUR	139.48	6.6	7.6	7.2
GAM Trdg II IncUSD Op	OT	OT	VGB	11/16	USD	316.82	6.8	7.7	6.8
GAM Trdg IV IncEUR Op	OT	OT	VGB	11/16	EUR	147.18	6.3	7.5	6.9
GAM Trdg IV IncUSD Op	OT	OT	VGB	11/16	USD	154.95	6.6	7.5	6.7
GAM Trdg V IncEUR Op	OT	OT	VGB	10/30	EUR	124.10	5.8	7.8	6.7
GAM Trdg V IncUSD Op	OT	OT	VGB	10/30	USD	129.23	5.9	7.8	6.3
GAM TrdgIII IncEUR Op	OT	OT	VGB	11/16	EUR	157.37	6.4	7.6	7.0
GAM TrdgIII IncUSD Op	OT	OT	VGB	11/16	USD	162.96	6.6	7.5	6.7
GAM USDSpecBondInc	US	BD	VGB	11/16	USD	524.98	72.7	69.3	5.8
GAM Worldwide	GL	EQ	VGB	11/18	USD	2281.25	27.3	39.5	-9.7
GAMut Investments	OT	OT	VGB	11/18	USD	7653.57	5.4	8.0	7.8

GAM Star Fund Plc

GAMStar-AsEqCHF Ord Ac	AS	EQ	IRL	11/19	CHF	10.50	48.4	51.8	-19.5
GAMStar-AsEqEUR Ord Ac	AS	EQ	IRL	11/19	EUR	11.12	48.8	55.3	-15.4
GAMStar-AsEqGBP Ord Ac	AS	EQ	IRL	11/19	GBP	1.48	39.3	64.4	-5.2
GAMStar-AsEqUSD Ord Ac	AS	EQ	IRL	11/19	USD	13.04	59.6	84.4	-14.2
GAMStar-AsPacEqEUR Acc	AS	EQ	IRL	11/19	EUR	94.30	12.6	12.5	-16.1
GAMStar-AsPacEqEUR Inc	AS	EQ	IRL	11/18	EUR	92.08	12.6	12.5	-16.1
GAMStar-ContEurEqEUR Ac	EU	EQ	IRL	11/19	EUR	10.54	21.9	21.8	-12.0
GAMStar-EurpEqEUR Acc	EU	EQ	IRL	11/19	EUR	177.93	23.6	22.3	-13.9
GAMStar-EurpEqEUR Inc	EU	EQ	IRL	11/18	EUR	165.46	23.6	22.2	-13.9
GAMStar-EurpEqUSD Acc	EU	EQ	IRL	11/19	USD	16.18	32.4	45.0	-12.7
GAMStar-EurpEqUSD Inc	EU	EQ	IRL	11/19	USD	14.67	32.3	44.9	-12.7
GAMStar-FrontierOppUSD Acc	GL	EQ	IRL	11/16	USD	5.89	25.1	18.9	NS
GAMStar-JpnEq EUR Acc	JP	EQ	IRL	11/19	EUR	80.50	0.0	1.4	-16.0
GAMStar-JpnEq EUR Inc	JP	EQ	IRL	11/18	EUR	81.38	0.0	1.4	-16.0
GAMStar-JpnEq JPY Acc	JP	EQ	IRL	11/19	JPY	842.31	1.8	6.6	-24.8
GAMStar-JpnEq USD Acc	JP	EQ	IRL	11/18	USD	10.50	-0.2	10.4	-18.2
GAMStar-World EqUSD Acc	GL	EQ	IRL	11/19	USD	2226.24	28.3	40.6	-9.2

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EFG-Hermes Egypt	GL	EQ	BMU	10/30	USD	43.54	25.9	29.9	-14.4
EFG-Hermes MEDA*	GL	EQ	BMU	09/30	USD	24.16	15.3	-17.3	-10.4
EFG-Hermes Saudi Arabia Equity	EA	EQ	SAU	10/27	SAR	6.27	32.3	11.2	NS
EFG-Hermes Telecom	OT	EQ	BMU	09/30	USD	29.73	16.0	-0.1	-8.2

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LG Antenna	GL	EQ	BMU	11/13	USD	58.83	72.3	75.0	-12.7
LG Asian Plus	AS	EQ	CYM	11/06	USD	54.16	43.3	41.3	-24.1
LG AsianSmallerCo's	AS	EQ	BMU	11/19	USD	91.69	66.2	92.8	-24.0
LG India	EA	EQ	MUS	11/12	USD	62.22	95.0	90.0	-14.6

Manulife WEALTH MANAGEMENT 宏利財富管理

MANULIFE ASSET MANAGEMENT TEL:(852)2108 1110
Internet:http://www.manulife.com.hk 47/F Manulife Plaza, Causeway Bay, Hong Kong

American Growth	US	EQ	LUX	11/20	USD	14.65	23.9	27.8	-13.8
American Growth AA	US	EQ	LUX	11/20	USD	0.84	23.6	28.4	-7.5
Asian Equity	AS	EQ	LUX	11/20	USD	2.41	62.1	83.3	-10.8
Asian Equity AA	AS	EQ	LUX	11/20	USD	0.78	61.6	82.7	-11.0
Asian Sm Cap Equity AA	AS	EQ	LUX	11/20	USD	1.11	85.2	111.2	-7.8
China Value A	AS	EQ	LUX	11/20	USD	7.02	64.1	86.0	-7.2
China Value AA	AS	EQ	LUX	11/20	USD	2.21	63.8	85.6	-7.4
Dragon Growth	AS	EQ	LUX	11/20	USD	1.63	67.4	87.9	-9.5
Dragon Growth AA	OT	OT	LUX	11/20	HKD	7.91	67.3	86.8	-10.6
Emg Eastrn Europe A	EU	EQ	LUX	11/20	USD	4.54	95.1	114.9	-16.9
Emg Eastrn Europe AA	EU	EQ	LUX	11/20	USD	1.96	94.9	114.6	-17.0
European Growth	EU	EQ	LUX	11/20	USD	9.10	43.4	63.1	-17.4
European Growth AA	EU	EQ	LUX	11/20	USD	0.65	43.1	62.7	-18.4
Global Contrarain AA	GL	EQ	LUX	11/20	USD	0.86	80.2	101.0	NS
Global Property AA	OT	EQ	LUX	11/20	USD	0.65	44.1	65.7	-16.6
Global Resources AA	OT	EQ	LUX	11/20	USD	1.09	56.4	100.1	-10.6
Healthcare AA	OT	EQ	LUX	11/20	USD	0.90	10.1	14.7	NS
India Equity AA	EA	EQ	LUX	11/20	USD	1.06	72.2	91.1	-19.0
International Growth	GL	EQ	LUX	11/20	USD	3.00	21.9	31.0	-15.6
International Growth AA	GL	EQ	LUX	11/20	USD	0.70	21.7	30.7	-15.8
Japanese Growth	JP	EQ	LUX	11/20	USD	2.61	0.8	14.9	-16.8
Japanese Growth AA	JP	EQ	LUX	11/20	USD	0.68	0.6	14.7	-17.4
Latin America Equity AA	GL	EQ	LUX	11/20	USD	1.24	100.4	116.0	-6.9
MGF Asia Value Dividend Equity Fund	OT	OT	Lux	11/20	USD	1.10	NS	NS	NS
Russia Equity AA	EE	EQ	LUX	11/20	USD	0.65	140.9	160.1	-18.8
Taiwan Equity AA	AS	EQ	LUX	11/20	USD	1.01	76.2	97.5	-2.3
Turkey Equity AA	EE	EQ	LUX	11/20	USD	0.68	84.4	128.4	-16.6
U.S. Bond AA	US	BD	LUX	11/20	USD	1.11	17.7	22.3	7.6
U.S. High Yield Bond AA	US	BD	LUX	11/20	USD	0.73	64.7	64.1	-6.6
U.S. Sm Cap Equity AA	US	EQ	LUX	11/20	USD	0.77	64.3	67.2	-15.9
U.S. Tsy Inf-ProtSec AA	OT	BD	LUX	11/20	USD	1.16	9.3	14.3	4.3

PT CIPTADANA ASSET MANAGEMENT
Tel: +62 21 25574 883 Fax: +62 21 25574 893 Website: www.ciptadana.com

Indonesian Grth Fund	EA	EQ	CYM	11/18	USD	124.03	115.0	136.5	-4.2

Sensible Asset Management
A Value Partners Group company

SENSIBLE ASSET MANAGEMENT LIMITED
www.samfund.com.hk Tel: (852) 2868 6848 Fax: (852) 2810 9948

Asia Value Formula Fd-B	AS	EQ	CYM	11/19	USD	7.88	83.7	113.0	-7.7

SOCIETE GENERALE
Asset Management

SG ASSET MANAGEMENT HTTP://WWW.SGAM.COM
SGAM Fund

Bonds Eur Hi Yld A	EU	BD	LUX	11/18	EUR	20.27	52.4	46.8	-2.8
Bonds EURO A	EU	BD	LUX	11/18	EUR	41.34	4.7	8.0	5.4
Bonds EUROPE A	EU	BD	LUX	11/19	EUR	39.39	4.0	6.2	4.4
Bonds US OppsCoreplus A	US	BD	LUX	11/18	USD	37.02	17.4	21.0	8.9
Bonds World A	GL	BD	LUX	11/19	USD	43.74	9.8	18.8	7.9
Eq. China A	AS	EQ	LUX	11/19	USD	24.25	62.3	92.6	-14.7
Eq. ConcentratedEuropeA	EU	EQ	LUX	11/19	EUR	26.15	26.9	36.5	-18.9
Eq. Eastern Europe A	EU	EQ	LUX	11/19	EUR	22.47	70.1	69.3	-27.3
Eq. Euroland A	EU	EQ	LUX	11/19	EUR	10.44	13.9	21.5	-21.6
Eq. EurolandCyclclsA	EU	EQ	LUX	11/18	EUR	17.25	25.6	30.8	-16.8
Eq. EurolandFinancialA	OT	EQ	LUX	11/18	EUR	11.87	40.9	42.9	-19.9
Eq. Glbl Emg Cty A	GL	EQ	LUX	11/19	USD	9.59	60.5	94.7	-15.8
Eq. Global A	GL	EQ	LUX	11/19	USD	27.45	30.5	44.1	-15.0
Eq. Global Energy A	OT	EQ	LUX	11/19	USD	18.02	26.4	35.4	-13.3
Eq. Global Technol A	OT	OT	LUX	04/24	USD	4.46	22.1	-29.7	-21.6
Eq. Gold Mines A	OT	EQ	LUX	11/19	USD	32.38	54.9	163.2	3.8
Eq. Pacific A	AS	EQ	LUX	11/19	USD	10.26	60.7	81.6	-14.0
Eq. US Lg Cap Gr A	US	EQ	LUX	11/19	USD	14.79	37.2	48.6	-13.0
Eq. US Rel Val A	US	EQ	LUX	11/19	USD	20.15	29.7	48.7	-16.1
Eq. US Sm Cap Val A	US	EQ	LUX	11/19	USD	14.89	15.1	38.2	-22.0
Money Market EURO A	EU	MM	LUX	11/18	EUR	27.38	1.0	1.4	2.9
Money Market USD A	US	MM	LUX	11/18	USD	15.83	0.5	0.8	2.0

المستثمر الوطني
The National Investor

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TNI Mena Real Estate Fund	OT	OT	BMU	11/12	USD	1059.47	12.7	NS	NS
TNI MENA Special Sits Fund	OT	OT	BMU	10/29	USD	1139.93	17.4	NS	NS
TNI UAE Blue Chip Fund	OT	OT	ARE	11/12	AED	6.39	39.4	-4.9	-22.9

Value Partners
Investing through discipline

WEBSITE: WWW.VALUEPARTNERS.COM.HK, TEL: (852) 2880 9263, FAX: (852) 2564 8487
**formerly known as China ABH Shares Fund*

Intel-Chin MainInd Foc	AS	EQ	CYM	11/16	USD	29.76	85.5	NS	-0.4
Intel-China Converg*	AS	EQ	CYM	11/16	USD	114.18	87.4	NS	-1.9
VP Classic - A	AS	EQ	CYM	11/19	USD	184.40	80.9	106.2	-4.6
VP CLassic - B	AS	EQ	CYM	11/19	USD	86.00	80.1	105.3	-5.1
VP High Dividend Stk	AS	EQ	CYM	11/16	USD	44.82	80.4	87.7	-2.4

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YMR-N Series

YMR-N Growth Fund	OT	OT	IRL	11/20	JPY	8532.00	-1.5	1.0	-30.1
YMR-N Small Cap Fund	OT	OT	IRL	11/20	JPY	6574.00	1.3	7.5	-29.2

Yuki 77 Series

Yuki 77 General	JP	EQ	IRL	11/20	JPY	5603.00	-5.1	4.0	-31.1
Yuki 77 Growth	JP	EQ	IRL	11/20	JPY	5299.00	-10.4	-5.1	-35.7

Yuki Chugoku Series

Yuki Chugoku Jpn Gen	JP	EQ	IRL	11/20	JPY	6192.00	-0.8	6.8	-28.2
Yuki Chugoku JpnLowP	JP	EQ	IRL	11/20	JPY	7037.00	-14.1	-6.0	-27.7

Yuki Hokuyo Japan Series

Yuki Hokuyo Jpn Gen	JP	EQ	IRL	11/20	JPY	4189.00	-7.9	-1.2	-31.7
Yuki Hokuyo Jpn Inc	JP	EQ	IRL	11/20	JPY	4868.00	-7.8	-3.6	-24.2
Yuki Hokuyo Jpn Sm Cap	JP	EQ	IRL	11/20	JPY	4793.00	1.9	10.6	-27.2

Yuki Mizuho Series

Yuki Mizuho Gen Jpn III	OT	OT	IRL	11/20	JPY	3962.00	-6.8	-0.8	-34.7
Yuki Mizuho Jpn Dyn Gro	OT	OT	IRL	11/20	JPY	4242.00	-5.6	-0.7	-34.7
Yuki Mizuho Jpn Exc 100	OT	OT	IRL	11/20	JPY	6233.00	2.2	10.2	-29.5
Yuki Mizuho Jpn Gen	OT	OT	IRL	11/20	JPY	7752.00	-3.4	4.6	-30.4
Yuki Mizuho Jpn Gro	OT	OT	IRL	11/20	JPY	5853.00	-6.4	1.2	-32.3
Yuki Mizuho Jpn Inc	OT	OT	IRL	11/20	JPY	7028.00	-11.6	-4.7	-27.1
Yuki Mizuho Jpn Lg Cap	OT	OT	IRL	11/20	JPY	4711.00	-5.5	1.5	-30.1
Yuki Mizuho Jpn LowP	OT	OT	IRL	11/20	JPY	10667.00	-5.9	2.5	-24.2
Yuki Mizuho Jpn PGth	OT	OT	IRL	11/20	JPY	7291.00	-4.6	2.0	-34.1
Yuki Mizuho Jpn SmCp	OT	OT	IRL	11/20	JPY	6642.00	8.3	17.0	-29.2
Yuki Mizuho Jpn Val Sel	OT	OT	IRL	11/20	JPY	5202.00	0.2	10.9	-26.0
Yuki Mizuho Jpn YoungCo	OT	OT	IRL	11/20	JPY	2621.00	9.8	13.8	-33.7

Yuki Shizuoka Japan Series

Yuki Shizuoka General Japan	JP	EQ	IRL	11/20	JPY	4887.00	-4.2	3.7	-31.3

For information about listing your funds, please contact: Carson Wong tel: +852 2831-6481; email: carson.wong@dowjones.com or Peter Jennings, tel: +44-20-7842-9674; email: peter.jennings@dowjones.com

BLUE CHIPS & BONDS

Major players & benchmarks

At right, a look at the Asia Titans, the biggest and best known companies in Asia. Below, some of the Dow Jones Titans indexes of biggest and most liquid stocks in individual countries and regions

Giants around the world

In U.S.-dollar terms.

Dow Jones Country Titans

	INDEX PERFORMANCE Previous session	Year-to-date	52-week
Brazil	-0.79%	**100.0%**	140.4%
Russia	-0.47	**97.7**	132.0
China 88	-0.57	**86.8**	74.6
Turkey	-1.88	**63.9**	99.5
Singapore	0.11	**58.8**	68.6
Hong Kong	-0.86	**52.3**	77.6
Sweden	-0.02	**48.6**	73.5
South Korea	-0.10	**48.2**	65.5
Netherlands	-0.83	**32.6**	45.0
Canada	-0.21	**28.3**	41.8
Australia	-1.37	**25.7**	35.8
Switzerland	-0.30	**20.8**	35.9
South Africa	-0.24	**18.7**	42.9
Italy	-1.33	**18.5**	23.4
U.K.	-0.26	**18.0**	38.7
France	-0.78	**16.4**	31.7
Spain	-0.84	**15.4**	31.2
Germany	-0.68	**12.5**	30.4
Japan	-0.12	**-1.7%**	5.3

Dow Jones Regional Sector Titans

Basic Res	-0.94%	**76.2%**	121.8%
Tiger 50*	-0.70	**57.3**	83.5
Technology	-0.60	**48.6**	64.8
Nordic 30	-0.41	**36.6**	50.4
EU Enlarged†	-0.08	**36.1**	44.3
Asian 50	-0.87	**27.6**	46.9
Global 50	-0.45	**19.5**	33.9
Stoxx 50	-0.83	**18.4**	30.3
Euro Stoxx 50	-0.95	**15.7**	30.8
Arab 50	-0.19	**4.7**	4.9

*Asia excluding Japan †15 companies from the new EU countries; Cyprus, CzechRepublic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia.

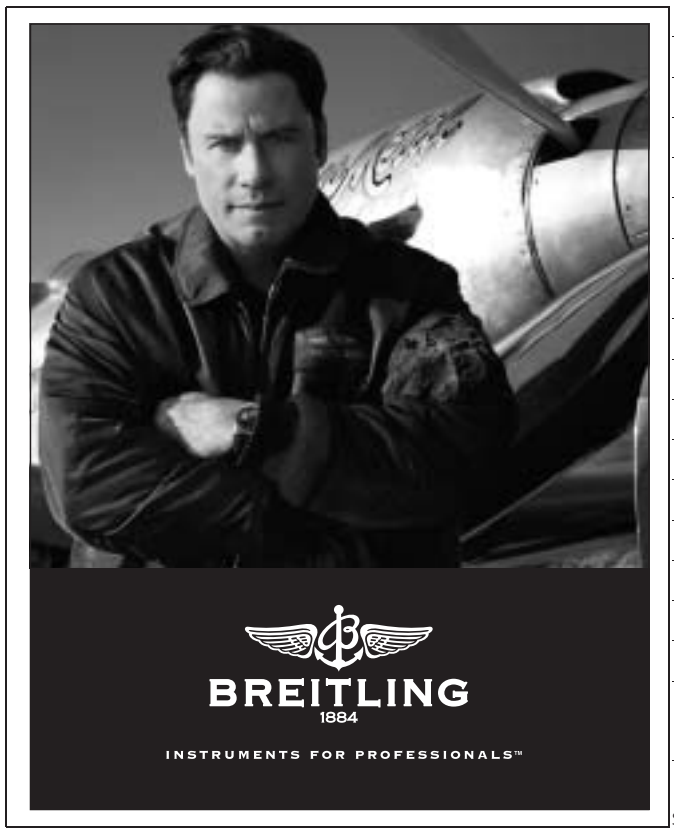
Source: Dow Jones Indexes

Dow Jones Asia Titans: Friday's best and worst...

Company	Country	Industry	Market value, in billions of US$	Previous close, in local currency	STOCK PERFORMANCE Previous session	52-week	Three-year
Sumitomo Mitsui Finl	Japan	Banks	$31.9	2,815	**3.49%**	-7.7%	-75.1%
Mizuho Financial Grp	Japan	Banks	24.9	158.00	**1.94**	-30.4	-80.6
Canon	Japan	Electronic Office Equipment	47.1	3,400	**1.49**	26.2	-43.6
Panasonic	Japan	Consumer Electronics	27.0	1,160	**1.49**	-17.0	-48.3
Tokio Marine	Japan	Property Casualty Insurance	21.4	2,425	**1.46**	20.4	-37.0
Nissan Motor	Japan	Automobiles	$31.5	621.00	**-2.82%**	79.0	-55.5
Woodside Petroleum	Australia	Exploration Production	31.5	48.69	**-2.81**	67.9	34.7
Westfield Grp	Australia	Retail REITs	25.7	12.35	**-2.68**	-6.7	-36.8
Sony	Japan	Consumer Electronics	27.0	2,410	**-2.43**	24.9	-47.6
JFE Hldgs	Japan	Iron Steel	16.7	2,815	**-2.43**	38.0	-42.8

...And the rest of Asia's blue chips

Company/Country (Industry)	Market value, in billions (U.S)	Latest, in local currency	STOCK PERFORMANCE Latest	52-week	Three-year
Mitsubishi UFJ Finl Grp Japan (Banks)	61.2	471.00	**1.07%**	-4.3%	-65.9%



Company/Country (Industry)	Market value, in billions (U.S)	Latest, in local currency	STOCK PERFORMANCE Latest	52-week	Three-year
Tokyo Elec Power Japan (Conventional Electricity)	33.6	2,215	**0.68**	-26.4	-35.8
Nippon Steel Japan (Iron Steel)	22.5	318.00	**0.63**	17.8	-34.7
Shinhan Financial Grp South Korea (Banks)	20.1	49,150	**0.61**	78.5	13.8
QBE Ins Grp Australia (Reinsurance)	20.7	22.64	**0.40**	-5.3	-10.2
KDDI Japan (Mobile Telecommunications)	23.0	462,000	**0.22**	-17.9	-40.2
NTT DoCoMo Japan (Mobile Telecommunications)	62.2	129,900	**0.15**	-15.7	-26.2
Seven I Hldgs Japan (Broadline Retailers)	19.9	1,959	**...**	-29.5	-43.9
CNOOC Hong Kong (Exploration Production)	72.4	12.56	**...**	148.2	82.3
KB Fncl Group South Korea (Banks)	20.7	62,300	**-0.16**	156.3	-10.5
Shin-Etsu Chml Japan (Specialty Chemicals)	22.3	4,670	**-0.21**	22.9	-37.0
Kansai Elec Power Japan (Conventional Electricity)	21.8	2,030	**-0.25**	-21.5	-28.3
China Life Ins Hong Kong (Life Insurance)	36.9	38.45	**-0.26**	95.8	102.6
Takeda Pharm Japan (Pharmaceuticals)	31.4	3,540	**-0.28**	-22.0	-52.8
Mitsubishi Japan (Industrial Suppliers)	35.0	1,899	**-0.31**	82.3	-6.2
Japan Tobacco Japan (Tobacco)	26.7	247,300	**-0.32**	-24.8	-52.3
East Japan Railway Japan (Travel Tourism)	26.0	5,800	**-0.34**	-20.0	-27.3
Samsung Elec South Korea (Semiconductors)	96.0	755,000	**-0.53**	70.8	15.8
Honda Motor Japan (Automobiles)	55.9	2,725	**-0.55**	39.8	-32.9
Nippon T&T Japan (Fixed Line Telecommunications)	54.1	3,640	**-0.55**	-11.4	-35.6
Commonwealth Bk of Australia Australia (Banks)	73.1	52.76	**-0.60%**	70.5%	10.4%
Mitsui Japan (Industrial Suppliers)	23.1	1,138	**-0.61**	51.1	-23.8

Sources: Dow Jones Indexes; WSJ Market Data Group

Tracking credit markets & dealmakers

— NOTICE TO READERS —
All statistics published in The Wall Street Journal Asia from markets outside the Asian-Pacific region reflect preliminary data.

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Hedge funds

Dow Jones Hedge Benchmark	TOTAL RETURN for rolling periods, net of fees* One week	One month	One quarter	Year to date	One year
Merger Arbitrage	0.08%	-0.03%	1.6%	7.1%	7.5%
Event Driven	0.72	0.58	4.6	14.1	6.5
Equity Long/Short	-0.09	-2.31	0.0	2.7	-5.0

*Estimates as of 11/19/09, after fees; Source: www.djhedgefundindexes.com

Credit derivatives

Spreads on credit derivatives are one way the market rates creditworthiness. Regions that are treading in rough waters can see spreads swing toward the maximum—and vice versa. Indexes below are for five-year swaps.

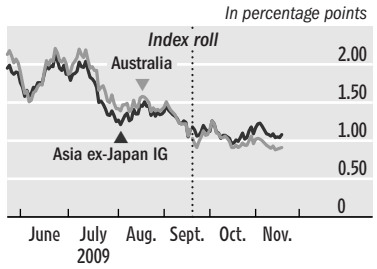
Markit iTraxx Indexes

Index: series/version	Mid-spread, in pct. pts.	Mid-price	Coupon	SPREAD RANGE, in pct. pts. since most recent roll Maximum	Minimum	Average
Europe: 12/1	0.85	100.69%	0.01%	1.00	0.78	0.86
Eur. High Volatility: 12/1	1.40	98.15	0.01	1.76	1.34	1.45
Europe Crossover: 12/1	5.29	98.84	0.05	6.15	4.87	5.35
Asia ex-Japan IG: 12/1	1.08	99.62	0.01	1.26	0.96	1.10
Japan: 12/1	1.42	97.95	0.01	1.53	0.99	1.28

Note: Data as of November 19

Spreads

Spreads on five-year swaps for corporate debt; based on Markit iTraxx indexes.



Source: Markit Group

Credit-default swaps: Asian companies

At its most basic, the pricing of credit-default swaps measures how much a buyer has to pay to purchase-and how much a seller demands to sell-protection from default on an issuer's debt. The snapshot below gives a sense which way the market was moving yesterday.

Showing the biggest improvement...

	Yesterday	CHANGE, in basis points Yesterday	Five-day	28-day
IHI	266	**-7**	46	49
Keisei Elec Rwy	46	**-3**	1	...
Shin Han Bk	113	**-3**	-4	-3
Mizuho Bk	98	**-3**	4	21
Bk of Tokyo Mitsubishi UFJ	70	**-3**	...	18
Tokyu	43	**-1**	-1	1
Ebara	444	**-1**	17	44
Komatsu	34	**-1**	-1	1
Ajinomoto	24	**-1**	-1	...
PCCW HKT Tel	100	**-1**	-5	-5

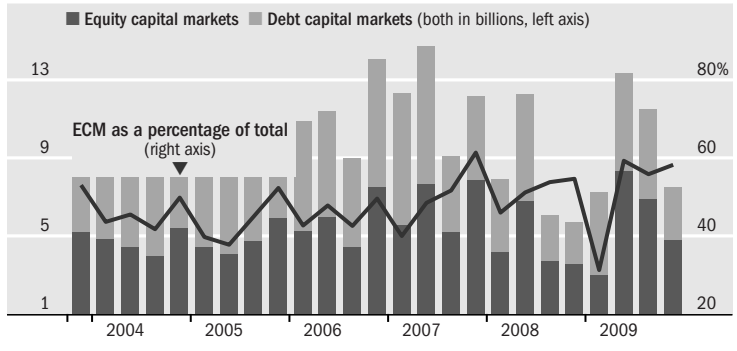
And the most deterioration

	Yesterday	CHANGE, in basis points Yesterday	Five-day	28-day
Rep Indonesia	199	**7**	1	14
Shimizu	154	**8**	27	43
Kajima	285	**9**	86	104
Nomura Hldgs	169	**9**	11	18
All Nippon Awys	334	**10**	20	71
Nishimatsu Constr	504	**18**	17	-18
Orix	360	**18**	24	-83
Acom	441	**67**	84	-146
Sanyo Shinpan Fin	943	**138**	154	-232
Promise	950	**145**	166	-250

Source: Markit Group

Behind global deals: Bank revenues from equity capital markets

Behind every IPO, follow-on or convertible equity offering is one or more investment banks. At right, investment banks historical and year-to-date revenues from global equity-capital-market (ECM) deals

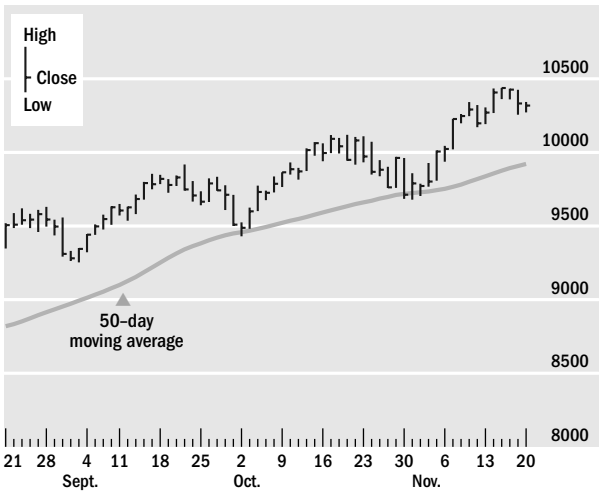


Source: Dealogic

SCANNING THE GLOBE

Dow Jones Industrial Average P/E: 18

LAST: **10318.16** ▼ 14.28, or 0.14%
YEAR TO DATE: ▲ **1,541.77, or 17.6%**
OVER 52 WEEKS ▲ **2,271.74, or 28.2%**



Nasdaq Composite Index P/E: 44*

LAST: **2146.04** ▼ 10.78, or 0.50%
YEAR TO DATE: ▲ **569.01, or 36.1%**
OVER 52 WEEKS ▲ **761.69, or 55.0%**

*Price-to-earnings ratio for the Nasdaq 100 Note: Price-to-earnings ratios are for trailing 12 months

Sources: WSJ Market Data Group; Birinyi Associates

U.S. stocks: most active...

Stock	Symbol	Volume, in millions	Latest	CHANGE Points	CHANGE Percentage
SPDR S&P 500	SPY	**134.1**	$109.43	–$0.39	**–0.36%**
BankAm	BAC	**128.1**	16.09	0.01	**0.06**
Citigroup	C	**124.2**	4.20	–0.06	**–1.41**
Dell	DELL	**94.4**	14.29	–1.58	**–9.96**
Dryships	DRYS	**72.9**	6.29	–0.24	**–3.68**
PwrShrs QQQ	QQQQ	**70.9**	43.44	–0.22	**–0.50**
E Trade	ETFC	**67.2**	1.64	0.01	**0.61**
iShrMSCIEmrgMkt	EEM	**66.4**	40.65	–0.17	**–0.42**
GenElec	GE	**63.7**	15.59	–0.17	**–1.08**
DrxFinancBear 3x	FAZ	**61.8**	19.99	0.35	**1.78**
Pfizer	PFE	**61.0**	18.36	0.25	**1.38**

Biggest gainers...

Dataram	DRAM	**2,227.8**	$4.75	$1.36	**40.12%**
LibrtyMedStzA	LSTZA	**2,721.3**	50.25	14.34	**39.93**
Lannett	LCI	**209.3**	6.40	1.45	**29.29**
Netlist	NLST	**30,482.6**	7.27	1.60	**28.22**
GrnPlnsRenew	GPRE	**155.3**	11.70	2.21	**23.29**

...Biggest losers

NoValBcp	NOVB	**22.6**	$2.00	-$0.45	**-18.37%**
DrxTechMktBull 3x	TYH	**510.7**	133.35	-25.54	**-16.07**
WaccamawBkshrs	WBNK	**5.4**	3.48	-0.67	**-16.04**
DrxDevMktBull 3x	DZK	**22.4**	72.42	-13.13	**-15.35**
DR Horton	DHI	**35,881.9**	10.37	-1.88	**-15.35**

DJIA component stocks

Stock	Symbol	Volume, in millions	Latest	CHANGE Points	CHANGE Percentage
AT&T	T	**21.80**	$26.02	-0.09	**-0.34%**
Alcoa	AA	**21.40**	13.13	-0.09	**-0.68**
AmExpress	AXP	**10.40**	40.93	-0.21	**-0.51**
BankAm	BAC	**123.60**	16.09	0.01	**0.06**
Boeing	BA	**3.70**	51.70	0.27	**0.52**
Caterpillar	CAT	**8.40**	57.95	-0.66	**-1.13**
Chevron	CVX	**8.60**	76.77	-0.57	**-0.74**
CiscoSys	CSCO	**34.50**	23.46	-0.22	**-0.93**
CocaCola	KO	**9.70**	57.48	0.60	**1.05**
Disney	DIS	**8.40**	30.01	-0.20	**-0.66**
DuPont	DD	**4.80**	34.51	-0.09	**-0.26**
ExxonMobil	XOM	**18.10**	74.38	-0.27	**-0.36**
GenElec	GE	**61.40**	15.59	-0.17	**-1.08**
HewlettPk	HPQ	**13.50**	50.04	0.22	**0.44**
HomeDpt	HD	**16.60**	27.18	0.07	**0.26**
Intel	INTC	**46.90**	19.24	-0.06	**-0.31**
IBM	IBM	**5.00**	126.96	-0.58	**-0.45**
JPMorgChas	JPM	**23.80**	42.46	-0.09	**-0.21**
JohnsJohns	JNJ	**15.60**	62.31	0.37	**0.60**
KftFoods	KFT	**10.90**	27.17	0.20	**0.74**
McDonalds	MCD	**8.60**	63.97	0.56	**0.88**
Merck	MRK	**33.80**	36.46	1.13	**3.20**
Microsoft	MSFT	**39.50**	29.62	-0.16	**-0.54**
Pfizer	PFE	**58.30**	18.36	0.25	**1.38**
ProctGamb	PG	**11.40**	61.80	-0.35	**-0.56**
3M	MMM	**2.80**	76.64	-0.61	**-0.79**
TravelersCos	TRV	**3.80**	52.38	-0.30	**-0.57**
UnitedTech	UTX	**3.10**	67.97	-0.04	**-0.06**
Verizon	VZ	**10.80**	30.43	-0.09	**-0.29**
WalMart	WMT	**14.10**	54.28	-0.26	**-0.48**

ADRs of Asian companies*

52-WEEK High	52-WEEK Low	Stock	Symbol	Volume, in OOOs	Latest	CHANGE Points	CHANGE Percentage
$11.39	$5.53	**Taiwan Semi**	TSM	**8,346.8**	$10.39	-0.03	**-0.29%**
3.87	1.62	**Utd Microelectronics**	UMC	**5,302.4**	3.53	-0.04	**-1.12**
76.49	24.53	**BHP Billiton**	BHP	**2,561.5**	73.36	-0.80	**-1.08**
11.73	4.78	**AU Optrncs**	AUO	**2,065.6**	9.84	0.19	**1.97**
15.29	6.85	**Korea Elec Pwr**	KEP	**1,847.5**	14.04	-0.08	**-0.57**
8.19	3.14	**Siliconware Prec Ind**	SPIL	**1,411.7**	6.91	-0.15	**-2.12**
52.68	21.10	**Infosys Tech**	INFY	**1,301.9**	51.23	0.28	**0.55**
6.84	3.71	**Mitsu UFJ Fnl**	MTU	**1,207.7**	5.31	0.18	**3.51**
18.80	12.59	**SK Telecom**	SKM	**1,151.5**	17.17	0.02	**0.12**
59.22	38.51	**China Mobile**	CHL	**1,116.7**	49.47	-0.08	**-0.16**
30.82	15.64	**Sony**	SNE	**989.9**	26.80	-0.18	**-0.67**
9.50	3.96	**Nomura Hldgs**	NMR	**941.2**	6.84	0.40	**6.21**
41.25	21.23	**Canon**	CAJ	**836.6**	38.03	0.92	**2.48**
15.95	8.56	**China Unicom**	CHU	**831.0**	13.57	0.12	**0.89**
4.63	1.36	**Adv Semi Engrg**	ASX	**552.3**	4.18	-0.07	**-1.65**
17.66	9.94	**KT Corp**	KTC	**539.8**	17.01	0.17	**1.01**
19.56	15.05	**ChunghwaTel**	CHT	**453.6**	17.89	0.23	**1.30**
76.61	33.93	**China Life Ins**	LFC	**385.1**	74.33	0.51	**0.69**
32.79	8.11	**Aluminum Cp of China**	ACH	**368.6**	27.60	-0.15	**-0.54**
135.92	63.62	**PetroChina**	PTR	**304.4**	127.70	-0.22	**-0.17**
94.00	46.45	**China Petro & Chem**	SNP	**293.2**	86.33	-0.85	**-0.97**
38.82	16.57	**Telekom Indonesia**	TLK	**274.3**	38.31	0.16	**0.42**
150.50	42.35	**POSCO**	PKX	**266.1**	118.96	-0.39	**-0.33**
167.15	60.57	**CNOOC**	CEO	**264.1**	160.57	0.57	**0.36**
87.67	55.41	**Toyota Motor**	TM	**231.3**	76.97	-0.54	**-0.70**
20.17	4.05	**Yanzhou Coal Mining**	YZC	**226.7**	19.28	0.06	**0.31**
32.99	17.35	**Honda Motor**	HMC	**201.8**	30.57	0.11	**0.36**
9.82	5.43	**Telecom Corp of NZ**	NZT	**201.8**	9.11	-0.04	**-0.44**
27.96	17.71	**NTT**	NTT	**190.3**	20.42	-0.04	**-0.20**
16.60	10.60	**Matsushita Elec**	PC	**182.0**	13.00	0.28	**2.20**

*Most active American depositary receipts tracked by Dow Jones

Source: WSJ Market Data Group

Global government bonds

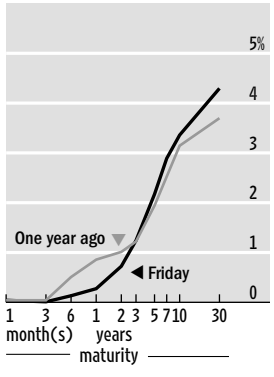
Latest, month-ago and year-ago yields and spreads over or under U.S. Treasurys on benchmark two-year and 10-year government bonds around the world. Data as of 11 a.m. ET

Coupon	Country/ Maturity, in years	Yield	SPREAD OVER TREASURYS, in basis points: Latest	Previous	Month ago	Year ago	YIELD: Previous	Month ago	Year ago
5.750%	**Australia** 2	**4.450%**	**372.7**	380.8	393.7	**233.7**	**4.508%**	4.864%	**3.321%**
4.500	10	**5.445**	**207.7**	214.8	231.7	**175.0**	**5.475**	5.661	**4.768**
5.250	**Austria** 2	**0.951**	**22.8**	15.4	11.3	**123.0**	**0.854**	1.040	**2.214**
4.350	10	**3.634**	**26.6**	27.0	32.7	**99.0**	**3.597**	3.671	**4.008**
3.500	**Belgium** 2	**1.091**	**36.8**	33.0	27.4	**153.2**	**1.030**	1.201	**2.516**
4.000	10	**3.645**	**27.7**	30.3	33.6	**104.0**	**3.630**	3.680	**4.058**
1.250	**Canada** 2	**1.240**	**51.7**	57.5	40.1	**79.4**	**1.275**	1.328	**1.778**
3.750	10	**3.364**	**-0.4**	7.5	7.9	**34.3**	**3.402**	3.423	**3.361**
4.000	**Denmark** 2	**2.171**	**144.8**	147.2	145.6	**242.9**	**2.172**	2.383	**3.413**
4.000	10	**3.628**	**26.0**	26.1	28.4	**86.9**	**3.588**	3.628	**3.887**
1.500	**France** 2	**1.273**	**55.0**	52.4	50.8	**144.1**	**1.224**	1.435	**2.425**
3.750	10	**3.536**	**16.8**	21.7	22.7	**76.6**	**3.544**	3.571	**3.784**
1.250	**Germany** 2	**1.338**	**61.5**	58.9	45.1	**112.2**	**1.289**	1.378	**2.106**
3.250	10	**3.249**	**-11.9**	-6.4	-9.4	**43.1**	**3.263**	3.250	**3.449**
0.550	**Hong Kong** 2	**0.544**	**-17.9**	-14.5	-41.5	**-25.8**	**0.555**	0.512	**0.726**
2.640	10	**2.303**	**-106.5**	-102.3	-108.2	**-154.1**	**2.304**	2.262	**1.477**
3.750	**Italy** 2	**1.546**	**82.3**	76.2	68.8	**203.5**	**1.462**	1.615	**3.019**
4.250	10	**4.055**	**68.7**	71.8	62.5	**141.9**	**4.045**	3.969	**4.437**
0.300	**Japan** 2	**0.250**	**-47.3**	-46.0	-66.7	**-45.9**	**0.240**	0.260	**0.525**
1.300	10	**1.315**	**-205.3**	-203.7	-201.9	**-153.8**	**1.290**	1.325	**1.480**
4.000	**Netherlands** 2	**0.901**	**17.8**	16.5	11.8	**121.3**	**0.865**	1.045	**2.197**
4.000	10	**3.510**	**14.2**	18.1	22.5	**74.7**	**3.508**	3.569	**3.765**
3.200	**Portugal** 2	**1.176**	**45.3**	41.3	37.7	**188.9**	**1.113**	1.304	**2.873**
4.750	10	**3.794**	**42.6**	45.9	49.6	**111.4**	**3.786**	3.840	**4.132**
5.350	**Spain** 2	**1.373**	**65.0**	63.1	59.2	**152.1**	**1.331**	1.519	**2.505**
4.300	10	**3.842**	**47.4**	49.7	48.0	**89.9**	**3.824**	3.824	**3.917**
4.000	**Switzerland** 2	**0.450**	**-27.3**	-25.0	-38.7	**26.4**	**0.450**	0.540	**1.248**
3.000	10	**1.999**	**-136.9**	-132.3	-123.2	**-87.8**	**2.004**	2.112	**2.140**
3.250	**U.K.** 2	**1.252**	**52.9**	54.6	-9.9	**100.9**	**1.246**	0.828	**1.993**
4.500	10	**3.635**	**26.7**	32.7	21.5	**87.6**	**3.654**	3.559	**3.894**
1.000	**U.S.** 2	**0.723**	**...**	...	...	**...**	**0.700**	0.927	**0.984**
3.375	10	**3.368**	**...**	...	...	**...**	**3.327**	3.344	**3.018**

Source: Thomson Reuters

U.S. Treasury yield curve

The curve shows the yield to maturity of current bills, notes and bonds; all data as of 3 p.m. ET.



Ryan Index	Yield to maturity	Modified duration	TOTAL RETURN Month to-date	Quarter to-date	Year to-date	12-month
30-year Treasury	**4.295%**	16.70	–0.60 %	–3.29 %	–21.65 %	–6.17 %
10-year Treasury	**3.358**	8.42	0.50	0.12	–6.05	1.50
7 Year Treasury	**2.890**	6.20	0.78	0.89	...	...
Five-year Treasury	**2.171**	4.64	0.83	1.23	1.20	4.02
Ryan Index	**2.447**	6.80	0.44	0.13	–4.28	1.77
3 Year Treasury	**1.241**	2.92	0.73	1.06	2.14	3.20
Two-year Treasury	**0.724**	1.92	0.40	0.70	1.84	2.72
1 Year Treasury	**0.274**	0.99	0.16	0.27	1.03	1.64
Six-month Treasury	**0.132**	0.50	0.04	0.07	0.64	1.01
Ryan Cash Index-a	**0.114**	0.45	0.06	0.10	0.54	0.79
Three-month bill	**0.010**	0.25	0.03	0.05	0.36	0.39
One-month bill	**0.041**	0.07	...	0.01	0.14	0.14

a-Performance of a cash investment

Source: Ryan ALM

Key money rates

	Latest	52 wks ago
Prime rates		
U.S.	**3.25%**	4.00%
Canada	**2.25**	4.00
Japan	**1.475**	1.675
Britain	**0.50**	3.00
ECB	**1.00**	3.25
Switzerland	**0.52**	2.19
Australia	**3.50**	5.25
Hong Kong	**5.25**	n.a.
Libor		
One month	**0.23594%**	1.39500%
Three month	**0.26219**	2.15750
Six month	**0.48938**	2.56875
One year	**1.02125**	2.73625

	Latest	52 wks ago
Euro Libor		
One month	**0.40125%**	3.52625%
Three month	**0.67313**	4.00375
Six month	**0.97625**	4.05250
One year	**1.21375**	4.11250
Hibor		
One month	**0.06929**	0.95786%
Three month	**0.12036**	1.95000
Six month	**0.30929**	2.25071
One year	**0.57857**	2.44643
Asian dollars		
One month	**0.2426%**	1.39%
Three month	**0.2726**	2.1450
Six month	**0.5010**	2.5275
One year	**1.0430**	2.6625

	Offer	Bid
Eurodollars		
One month	**0.2800%**	0.1800%
Three month	**0.3800**	0.2800
Six month	**0.6000**	0.5000
One year	**1.5000**	0.7500

	Latest	52 wks ago
U.S. discount	**0.50%**	1.25%
Fed-funds target	**0.25**	1.00
Call money	**2.00**	2.75
Overnight repurchase rates		
U.S.	**0.16%**	0.33%
U.K. (BBA)	**0.483**	2.567
Euro zone	**0.35**	2.84

Sources: WSJ Market Data Group; Reuters

GLOBAL MARKETS LINEUP

Commodities

Prices of futures contracts with the most open interest

EXCHANGE LEGEND: CBOT: Chicago Board of Trade; **CME:** Chicago Mercantile Exchange; **NYBOT:** New York Board of Trade; **MDEX:** Bursa Malaysia Derivatives Berhad; **LIFFE:** London International Financial Futures Exchange; **LME:** London Mercantile Exchange; **NYMEX:** New York Mercantile Exchange; **ICE:** IntercontinentalExchange

Commodity	Exchange	Last price	ONE-DAY CHANGE Net	ONE-DAY CHANGE Percentage	Contract high	Contract low
Corn (cents/bu.)	CBOT	**407.00**	-3.75	**-0.91%**	712.25	315.50
Soybeans (cents/bu.)	CBOT	**1046.00**	7.00	**0.67%**	1,315.00	794.00
Wheat (cents/bu.)	CBOT	**580.75**	-3.25	**-0.56**	1,029.25	459.00
Live cattle (cents/lb.)	CME	**85.425**	0.050	**0.06**	108.600	84.150
Cocoa ($/ton)	ICE-US	**3,299**	102	**3.19**	3,439	1,994
Coffee (cents/lb.)	ICE-US	**135.75**	-1.30	**-0.95**	188.65	115.00
Sugar (cents/lb.)	ICE-US	**22.47**	-0.27	**-1.19**	26.25	11.91
Cotton (cents/lb.)	ICE-US	**74.04**	1.07	**1.47**	84.00	49.67
Crude palm oil (ringgit/ton)	MDEX	**2,392.00**	39	**1.66**	4,200	1,487
Cocoa (pounds/ton)	LIFFE	**2,192**	73	**3.45**	2,250	1,475
Robusta coffee ($/ton)	LIFFE	**1,344**	17	**1.28**	1,955	1,295
Copper (cents/lb.)	COMEX	**313.40**	2.80	**0.90**	365.00	135.50
Gold ($/troy oz.)	COMEX	**1146.80**	4.90	**0.43**	1,153.40	494.00
Silver (cents/troy oz.)	COMEX	**1844.00**	-1.50	**-0.08**	2,200.00	740.00
Aluminum ($/ton)	LME	**2,015.00**	-22.00	**-1.08**	2,069.00	1,288.00
Tin ($/ton)	LME	**14,940.00**	-105.00	**-0.70**	15,700.00	9,750.00
Copper ($/ton)	LME	**6,755.00**	-35.00	**-0.52**	6,950.00	2,815.00
Lead ($/ton)	LME	**2,339.00**	-11.00	**-0.47**	2,459.50	870.00
Zinc ($/ton)	LME	**2,225.00**	-5.50	**-0.25**	2,344.00	1,065.00
Nickel ($/ton)	LME	**16,705**	-310	**-1.82**	21,150	9,175
Crude oil ($/bbl.)	NYMEX	**77.47**	-0.58	**-0.74**	139.00	47.31
Heating oil ($/gal.)	NYMEX	**2.0130**	-0.0207	**-1.02**	4.1847	1.3640
RBOB gasoline ($/gal.)	NYMEX	**2.0014**	0.0041	**0.21**	2.7100	1.1525
Natural gas ($/mmBtu)	NYMEX	**4.758**	0.043	**0.91**	12.920	4.560
Brent crude ($/bbl.)	ICE-EU	**77.20**	-0.44	**-0.57**	108.19	48.19
Gas oil ($/ton)	ICE-EU	**621.75**	-11.00	**-1.74**	790.00	443.50

Source: Thomson Reuters; WSJ Market Data Group

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Currencies

London close on Nov. 20

AMERICAS	Per euro	In euros	Per U.S. dollar	In U.S. dollars
Argentina peso-a	5.6437	0.1772	3.8013	0.2631
Brazil real	2.5700	0.3891	1.7310	0.5777
Canada dollar	1.5902	0.6289	1.0711	0.9337
1-mo. forward	1.5902	0.6289	1.0710	0.9337
3-mos. forward	1.5902	0.6289	1.0711	0.9337
6-mos. forward	1.5903	0.6288	1.0711	0.9336
Chile peso	745.10	0.001342	501.85	0.001993
Colombia peso	2932.62	0.0003410	1975.23	0.0005063
Ecuador US dollar-f	1.4847	0.6735	1	1
Mexico peso-a	19.4362	0.0515	13.0910	0.0764
Peru sol	4.2796	0.2337	2.8825	0.3469
Uruguay peso-e	30.288	0.0330	20.400	0.0490
U.S. dollar	1.4847	0.6735	1	1
Venezuela bolivar	3.19	0.313667	2.15	0.465701
ASIA-PACIFIC				
Australia dollar	1.6257	0.6151	1.0950	0.9133
China yuan	10.1373	0.0986	6.8279	0.1465
Hong Kong dollar	11.5066	0.0869	7.7502	0.1290
India rupee	69.2613	0.0144	46.6500	0.0214
Indonesia rupiah	14053	0.0000712	9465	0.0001057
Japan yen	132.09	0.007571	88.97	0.011240
1-mo. forward	132.07	0.007572	88.95	0.011242
3-mos. forward	132.03	0.007574	88.93	0.011245
6-mos. forward	131.96	0.007578	88.88	0.011251
Malaysia ringgit-c	5.0265	0.1989	3.3855	0.2954
New Zealand dollar	2.0503	0.4877	1.3809	0.7242
Pakistan rupee	124.121	0.0081	83.600	0.0120
Philippines peso	69.892	0.0143	47.075	0.0212
Singapore dollar	2.0614	0.4851	1.3884	0.7203
South Korea won	1720.62	0.0005812	1158.90	0.0008629
Taiwan dollar	48.075	0.02080	32.380	0.03088
Thailand baht	49.359	0.02026	33.245	0.03008

EUROPE	Per euro	In euros	Per U.S. dollar	In U.S. dollars
Euro zone euro	1	1	0.6735	1.4847
1-mo. forward	1.0002	0.9998	0.6736	1.4845
3-mos. forward	1.0007	0.9993	0.6740	1.4837
6-mos. forward	1.0015	0.9985	0.6745	1.4825
Czech Rep. koruna-b	25.944	0.0385	17.474	0.0572
Denmark krone	7.4417	0.1344	5.0123	0.1995
Hungary forint	268.73	0.003721	181.00	0.005525
Norway krone	8.4175	0.1188	5.6695	0.1764
Poland zloty	4.1504	0.2409	2.7955	0.3577
Russia ruble-d	43.070	0.02322	29.009	0.03447
Sweden krona	10.3409	0.0967	6.9650	0.1436
Switzerland franc	1.5139	0.6606	1.0197	0.9807
1-mo. forward	1.5136	0.6607	1.0195	0.9809
3-mos. forward	1.5131	0.6609	1.0192	0.9812
6-mos. forward	1.5122	0.6613	1.0185	0.9818
Turkey lira	2.2226	0.4499	1.4970	0.6680
U.K. pound	0.8991	1.1122	0.6056	1.6513
1-mo. forward	0.8993	1.1120	0.6057	1.6510
3-mos. forward	0.8997	1.1115	0.6060	1.6503
6-mos. forward	0.9002	1.1109	0.6063	1.6493
MIDDLE EAST/AFRICA				
Bahrain dinar	0.5597	1.7866	0.3770	2.6526
Egypt pound-a	8.1031	0.1234	5.4578	0.1832
Israel shekel	5.6664	0.1765	3.8165	0.2620
Jordan dinar	1.0515	0.9510	0.7083	1.4119
Kuwait dinar	0.4238	2.3595	0.2855	3.5031
Lebanon pound	2238.19	0.0004468	1507.50	0.0006634
Saudi Arabia riyal	5.5679	0.1796	3.7502	0.2667
South Africa rand	11.2797	0.0887	7.5973	0.1316
United Arab dirham	5.4535	0.1834	3.6731	0.2722
SDR -f	0.9296	1.0758	0.6261	1.5972

a-floating rate b-commercial rate c-government rate c-commercial rate d-Russian Central Bank rate f-Special Drawing Rights from the International Monetary Fund ; based on exchange rates for U.S., British and Japanese currencies.
Note: Based on trading among banks in amounts of $1 million and more, as quoted by Thomson Reuters.

Major stock market indexes

Stock indexes from around the world, grouped by region. Shown in local-currency terms.

Price-to-earnings ratio*	Region/Country	Index	PREVIOUS SESSION Close	Net change	Percentage change	PERFORMANCE Yr.-to-date	52-wk.
45	**ASIA-PACIFIC**	**DJ Asia-Pacific**	119.48	-0.43	**-0.36%**	27.7%	46.9%
...	Australia	**SPX/ASX 200**	4685.8	-63.4	**-1.34**	25.9	37.2
35	China	**CBN 600**	29489.25	-34.66	**-0.12**	99.7	91.8
21	Hong Kong	**Hang Seng**	22455.84	-187.32	**-0.83**	56.1	77.4
19	India	**Sensex**	17021.85	236.20	**1.41%**	76.4	90.9
...	Indonesia	**Jakarta Composite**	2487.365	18.577	**0.75**	83.5	117.0
...	Japan	**Nikkei Stock Average**	9497.68	-51.79	**-0.54**	7.2	20.1
...		**Topix**	838.71	1.00	**0.12**	-2.4	4.5
...	Malaysia	**Kuala Lumpur Composite**	1274.36	-2.29	**-0.18**	45.4	47.0
...	New Zealand	**NZSX-50**	3113.629	-27.547	**-0.88**	14.7	20.8
8	Pakistan	**KSE 100**	9306.36	55.17	**0.60**	58.7	1.3
16	Philippines	**Manila Composite**	3068.73	-14.57	**-0.47**	63.9	73.8
...	Singapore	**Straits Times**	2761.54	2.75	**0.10**	56.8	66.1
11	South Korea	**Kospi**	1620.60	0.06	**unch.**	44.1	61.5
21	Taiwan	**Weighted**	7682.97	-77.01	**-0.99**	67.3	84.2
10	Thailand	**SET**	695.25	-5.17	**-0.74**	54.5	74.9
50	**EUROPE**	**DJ Stoxx 600**	243.62	-1.90	**-0.77**	23.7	33.8
22		**DJ Stoxx 50**	2467.99	-20.72	**-0.83**	19.5	30.3
40	**Euro Zone**	**DJ Euro Stoxx**	264.32	-2.38	**-0.89%**	18.6%	32.9%
18		**DJ Euro Stoxx 50**	2833.06	-27.23	**-0.95**	15.6	30.8
19	Denmark	**OMX Copenhagen**	311.83	-1.12	**-0.36**	37.9	44.8
19	Finland	**OMX Helsinki**	6244.48	-33.68	**-0.54**	15.6	23.7
18	France	**CAC-40**	3729.36	-30.86	**-0.82**	15.9	29.4
22	Germany	**DAX**	5663.15	-39.03	**-0.68**	17.7	37.2
16	Italy	**FTSE MIB**	22511.68	-311.54	**-1.37**	15.7	21.5
...	Netherlands	**AEX**	310.03	-3.28	**-1.05**	26.1	39.1
...	Russia	**RTSI**	1436.44	-14.76	**-1.02**	127.3	147.6
11	Spain	**IBEX 35**	11719.3	-126.9	**-1.07**	27.4	47.0
14	Switzerland	**SMI**	6277.46	-9.35	**-0.15**	13.4	22.0
...	Turkey	**ISE National 100**	45230.95	-883.64	**-1.92**	68.4	105.9
14	U.K.	**FTSE 100**	5251.41	-16.29	**-0.31**	18.4	38.9
1	**AMERICAS**	**DJ Americas**	288.18	-0.94	**-0.33**	27.4	46.2
...	Brazil	**Bovespa**	66327.27	unch.	**unch.**	76.6	112.2
...	Argentina	**Merval**	2231.50	-8.53	**-0.38**	106.7	169.2
20	Mexico	**IPC**	30666.51	-151.16	**-0.49**	37.0	68.0

*P/E ratios use trailing 12-months, as-reported earnings
European and Americas index data are as of 5:00 p.m. ET.

Sources: Thomson Reuters; WSJ Market Data Group

Reuters Group PLC is the primary data provider for several statistical tables in The Wall Street Journal, including foreign stock quotations, futures and futures options prices, and foreign exchange tables. Reuters real-time data feeds are used to calculate various Dow Jones Indexes.

Dow Jones and Dow Jones Stoxx Indexes

Dividend yield*	Price-to-earnings ratio*	Dows Jones Index	Last	Net change	PERFORMANCE Daily	Year-to-date	52-wk.	Three-yr., annualized
2.22%	2	**DJ Global Index**	221.81	-1.11	**-1.11%**	50.3%	-0.5%	-6.0%
1.94	20	**Global DOW**	1935.54	-9.35	**-9.35**	49.4	-0.5	-1.8
2.53	97	**Asia/Pacific 600**	111.09	-0.55	**-0.55**	33.0	-0.5	-6.2
1.78	0	**Emerging Markets**	272.59	-0.68	**-0.68**	112.4	-0.3	5.1
2.26	45	**Asia/Pacific**	119.48	-0.43	**-0.43**	46.9	-0.4	-4.0
2.50	18	**Asia/Pacific ex-Japan**	307.48	-1.79	**-1.79**	99.0	-0.6	2.3
2.73	25	**Southeast Asia**	153.08	-0.81	**-0.81**	90.4	-0.5	3.6
0.81	35	**CBN China 600** -c	29489.25	-34.66	**-34.66**	91.8	-0.1	33.3
0.84	37	**Shanghai**	393.44	-0.66	**-0.66**	91.1	-0.2	32.9
0.57	57	**Shenzhen**	419.98	1.47	**1.47**	119.5	0.3	39.5
2.12	21	**China Offshore 50**	4212.38	-38.54	**-38.54**	93.6	-0.9	14.0
9.02	10	**Australia LPT** -c, d	1143.25	-24.82	**-24.82**	6.3	-2.1	-19.4
2.19%	14	**Islamic Market**	1916.79	-8.09	**-8.09%**	48.9%	-0.4%	-1.8%
2.50	15	**Islamic Market 100**	2074.00	-8.30	**-8.30**	33.6	-0.4	-2.7
9.78	20	**Bahrain**	120.23	-0.05	**-0.05**	-30.7	-0.0	-13.1
2.94	30	**Kuwait**	189.81	-2.94	**-2.94**	-24.6	-1.6	-16.5
2.66	19	**Sustainability**	998.06	-7.62	**-7.62**	52.6	-0.8	-6.7
2.81	50	**Stoxx 600**	270.13	-2.32	**-2.32**	58.7	-0.8	-7.8
4.95	13	**Stoxx Select Div 30**	1802.32	-15.67	**-15.67**	52.6	-0.9	-19.3
4.20	16	**Euro Stoxx Sel Div 30**	2140.87	-22.31	**-22.31**	68.1	-1.0	-14.8
1.80	29	**DJ U.S. TSM**	11174.13	-38.29	**-38.29**	41.0	-0.3	-7.5
4.14	15	**U.S. Select Dividend** -d	625.07	-0.06	**-0.06**	20.1	-0.0	-10.7
4.76		**U.S. REIT**	136.31	-0.61	**-0.61**	57.8	-0.4	-19.8
		DJ-UBS Commodity -p	134.90	0.19	**0.19**	14.6	0.1	-7.0

*Fundamentals are based on data in U.S. dollar. Footnotes: c-in local currency. d-dividends reinvested. p-previous day. Note: All data as of 11:30 a.m. ET.

Source: Dow Jones Indexes

Cross rates

U.S.-dollar and euro foreign-exchange rates in global trading

	US$	A$	£	C$	YUAN	EURO	HK$	RUPEE	RUPIAH	YEN	NZ$	WON	RINGGIT	PH. PESO	S$	S FRANC	TW$	BAHT
U.S.		1.095	0.606	1.071	6.828	0.674	7.750	46.650	9465.22	88.965	1.381	1158.90	3.385	47.075	1.388	1.020	32.380	33.245
Australia	0.913		0.553	0.978	6.236	0.615	7.078	42.603	8644.11	81.247	1.261	1058.36	3.092	42.991	1.268	0.931	29.571	30.361
Britain	1.651	1.808		1.769	11.275	1.112	12.798	77.033	15629.91	146.908	2.280	1913.69	5.590	77.735	2.293	1.684	53.469	54.897
Canada	0.934	1.022	0.565		6.375	0.629	7.236	43.555	8837.32	83.063	1.289	1082.02	3.161	43.952	1.296	0.952	30.232	31.040
China	0.1465	0.160	0.089	0.157		0.099	1.135	6.832	1386.27	13.030	0.202	169.73	0.496	6.895	0.203	0.149	4.742	4.869
Euro	1.485	1.626	0.899	1.590	10.137		11.507	69.261	14053.01	132.086	2.050	1720.61	5.026	69.892	2.061	1.514	48.075	49.359
Hong Kong	0.129	0.141	0.078	0.138	0.881	0.087		6.019	1221.29	11.479	0.178	149.53	0.437	6.074	0.179	0.132	4.178	4.290
India	0.0214	0.0235	0.0130	0.0230	0.1464	0.0144	0.1661		202.90	1.9071	0.0296	24.84	0.0726	1.0091	0.0298	0.0219	0.6941	0.7126
Indonesia	0.0001	0.0001	0.0001	0.0001	0.0007	0.0001	0.0008	0.0049		0.0094	0.0001	0.12	0.0004	0.0050	0.0001	0.0001	0.0034	0.0035
Japan	0.011	0.012	0.007	0.012	0.077	0.008	0.087	0.524	106.39		0.016	13.03	0.038	0.529	0.016	0.011	0.364	0.374
New Zealand	0.724	0.793	0.439	0.776	4.944	0.488	5.612	33.782	6854.24	64.424		839.21	2.452	34.089	1.005	0.738	23.448	24.074
South Korea	0.0009	0.0009	0.0005	0.0009	0.0059	0.0006	0.0067	0.0403	8.17	0.0768	0.0012		0.0029	0.0406	0.0012	0.0009	0.0279	0.0287
Malaysia	0.295	0.323	0.179	0.316	2.017	0.199	2.289	13.779	2795.81	26.278	0.408	342.31		13.905	0.410	0.301	9.564	9.820
Philippines	0.021	0.023	0.013	0.023	0.145	0.014	0.165	0.991	201.07	1.890	0.029	24.62	0.072		0.029	0.022	0.688	0.706
Singapore	0.720	0.789	0.436	0.771	4.918	0.485	5.582	33.600	6817.35	64.077	0.995	834.70	2.438	33.906		0.734	23.322	23.945
Switzerland	0.981	1.074	0.594	1.050	6.696	0.661	7.601	45.751	9282.81	87.250	1.354	1136.56	3.320	46.168	1.362		31.756	32.604
Taiwan	0.031	0.034	0.019	0.033	0.211	0.021	0.239	1.441	292.32	2.748	0.043	35.79	0.105	1.454	0.043	0.031		1.027
Thailand	0.030	0.033	0.018	0.032	0.205	0.020	0.233	1.403	284.71	2.676	0.042	34.86	0.102	1.416	0.042	0.031	0.974	

Source: Thomson Reuters via WSJ Market Data Group

MSCI indexes

Developed and emerging-market regional and country indexes from MSCI Barra as of November. 20, 2009

Dividend yield	Price-to-earnings ratio	Morgan Stanley Index	Last	LOCAL-CURRENCY PERFORMANCE Daily	YTD	52-wk.
2.50%	23	**ALL COUNTRY (AC) WORLD***	294.93	-1.63%	**29.5%**	24.9%
2.60	24	**World (Developed Markets)**	1,151.98	-1.67	**25.2**	20.3
1.90	1638	**World Small Cap**	184.06	-2.08	**37.1**	32.6
2.70	20	**Kokusai (World ex-Japan)**	1,146.28	-1.73	**28.5**	21.9
3.10	25	**EAFE**	1,568.37	-1.93	**26.7**	26.6
2.30	19	**Emerging Markets (EM)**	968.46	-1.36	**70.8**	69.8
2.70	24	**AC ASIA PACIFIC EX-JAPAN**	410.37	-0.80	**65.9**	68.4
2.20	25	**AC Far East ex-Japan**	443.47	-0.34	**62.6**	68.8
1.30	40	**Japan**	521.22	-1.57	**-1.7**	-3.3
2.10	20	**China**	66.39	-0.92	**62.8**	87.6
0.90	37	**China A (China Domestic)**	3,452.88	0.48	**99.1**	120.4
2.60	23	**Hong Kong**	10,164.82	0.01	**55.1**	58.8
1.00	19	**India**	678.66	-1.34	**83.8**	77.3
0.90	24	**Korea**	463.19	1.21	**50.9**	46.5
2.60	21	**Malaysia**	472.99	0.13	**47.2**	49.4
3.30	16	**Singapore**	1,542.78	0.46	**54.8**	54.6
2.70	377	**Taiwan**	281.55	-0.16	**62.4**	51.3
3.10	19	**Thailand**	285.51	-1.40	**54.3**	66.9
4.10	22	**Australia**	977.43	0.31	**27.7**	17.9
5.10	17	**New Zealand**	86.92	0.26	**14.5**	10.8
1.90	32	**US BROAD MARKET**	1,206.02	-1.47	**22.8**	14.5
3.50	17	**EUROPE**	85.41	-1.63	**23.0**	9.5

*Twenty-three developed and 26 emerging markets

Source: MSCI Barra

MARKETS LINEUP

Moving the markets

At right, Japan's benchmark stock index and the biggest movers among the larger Asian stocks indexes and stocks Friday. Below each index are its most actively traded stocks. The charts show the percentage change in each index's or stock's value, rather than the point change, for purposes of comparison. The index level or stock price is indicated on each axis. All indexes and stocks are shown in local currency terms.

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Asian index movers...

Nikkei Stock Average
Japan 9497.68
▼ **0.54% or 51.79**

The index ended below 9500 for the first time since July 17, falling 2.8% for the week for its fourth losing week in a row. Bank shares helped counter chip weakness.

Stock	Volume in millions	Close	Change Net	Change %
Mizuho Financial	**184.13**	158	3	1.94
NEC	**96.31**	215	...	...
Mtshbsh Fin Grp	**92.44**	471	5	1.07
Toshiba	**60.44**	451	–10	–2.17
M'bishi Rayon	**56.27**	368	17	4.84

Sensex
India 17021.85
▲ **1.41% or 236.2**

"A good amount of bottom-fishing" helped the market buck the region's downturn. The index ended the week up 1%. Short-covering is expected to help stocks this week.

Stock	Volume in millions	Close	Change Net	Change %
Dlf-A	**3.80**	374.75	8.40	2.29
Jaiprak Asso-A	**2.79**	232.90	6.20	2.73
Bharti Airtel-A	**2.48**	288.75	–4.10	–1.40
Tata Steel-A	**2.43**	551.60	14.30	2.66
Reliance Com-A	**1.69**	173.85	1.40	0.81

ASX 200
Australia 4685.763
▼ **1.34% or 63.437**

After finishing down slightly for the week, the market could continue to drift this week with no positive catalyst in sight. Big mining companies were Friday's laggards.

Stock	Volume in millions	Close	Change Net	Change %
Boart Longyear	**52.10**	0.32	–0.01	–3.03
Ing Industrial	**44.38**	0.45	0.02	4.65
GPT Group	**34.64**	0.64	–0.03	–3.79
Telstra	**33.68**	3.30	–0.01	–0.30
Elders Limited	**30.33**	0.17	–0.01	–2.94

Hang Seng
Hong Kong 22455.84
▼ **0.83% or 187.32**

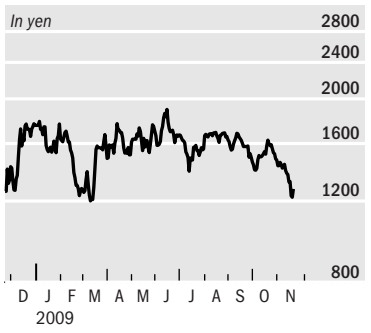
Shares fell for a fourth session in a row, snapping a two-week winning streak, as the market corrects itself following a 15-month high hit at the beginning of the week.

Stock	Volume in millions	Close	Change Net	Change %
Icbc	**275.57**	6.75	–0.10	–1.46
Bank Of China	**266.66**	4.72	–0.01	–0.21
ChinaPetroChem	**225.70**	6.68	–0.16	–2.34
CCB	**180.90**	7.11	–0.05	–0.70
PetroChina	**66.89**	9.96	–0.12	–1.19

Asian stocks in the news

Nomura Real Est
Japan ¥1,275
▲ **4.3% or ¥52**

Morgan Stanley said shares will likely rise relative to Japan's prime index over the next 60 days.



		Daily	1 wk.	52 wks
Price-to-earnings ratio				**24**
Earnings per share, past four quarters				**52.50**
Dividend yield				**3.1**
	PERCENTAGE CHANGE			
Real Estate		**-0.3%**	-2.1%	66.0%
Nomura Real Est		**4.3%**	-6.9%	1.2%

Mitsubishi Rayon
Japan ¥368
▲ **4.8% or ¥17**

Shares rose as Mitsubishi Chemical agreed to acquire the maker of acrylic fibers and resins.

		Daily	1 wk.	52 wks
Price-to-earnings ratio				**none**
Earnings per share, past four quarters				**-14.20**
Dividend yield				**none**
	PERCENTAGE CHANGE			
Chemicals		**0.1%**	-0.5%	50.6%
Mitsubishi Rayon		**4.8%**	28.7%	62.1%

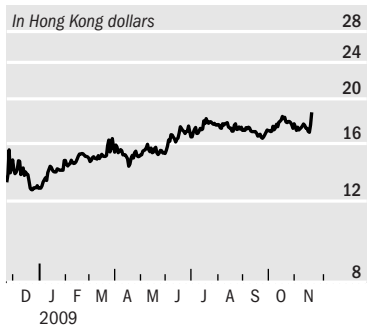
T&D Hldgs
Japan ¥2,215
▲ **5.7% or ¥120**

Morgan Stanley kept its "overweight" rating as it downplayed dilution concerns on a new-share issue.

		Daily	1 wk.	52 wks
Price-to-earnings ratio				**34**
Earnings per share, past four quarters				**65.70**
Dividend yield				**2.0**
	PERCENTAGE CHANGE			
Insurance		**-0.4%**	-0.5%	35.6%
T&D Hldgs		**5.7%**	-0.2%	-34.3%

Link Real Est Invt Tr
Hong Kong HK$18.70
▲ **6.5% or HK$1.14**

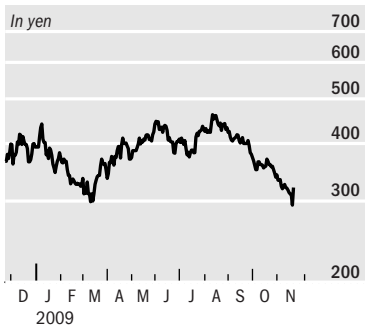
Nomura upgraded the stock to "buy" from "neutral" after better-than-expected first-half results.



		Daily	1 wk.	52 wks
Price-to-earnings ratio				**65**
Earnings per share, past four quarters				**0.29**
Dividend yield				**4.9**
	PERCENTAGE CHANGE			
Real Estate		**-0.3%**	-2.1%	66.0%
Link Real Est Invt Tr		**6.5%**	8.2%	41.9%

Mitsubishi Chem
Japan ¥321
▲ **9.2% or ¥27**

The company said it will rely on its own capital and bank loans to acquire Mitsubishi Rayon.



		Daily	1 wk.	52 wks
Price-to-earnings ratio				**none**
Earnings per share, past four quarters				**-3.00**
Dividend yield				**2.5**
	PERCENTAGE CHANGE			
Chemicals		**0.1%**	-0.5%	50.6%
Mitsubishi Chem		**9.2%**	1.3%	-12.3%

Fast Retailing
Japan ¥15,820
▼ **3.3% or ¥540**

After a sharp rise on Monday, four days of declines left the stock below its price on Nov. 9.

		Daily	1 wk.	52 wks
Price-to-earnings ratio				**27**
Earnings per share, past four quarters				**584.50**
Dividend yield				**1.3**
	PERCENTAGE CHANGE			
Retail		**-0.5%**	-0.6%	34.1%
Fast Retailing		**-3.3%**	-5.2%	69.7%

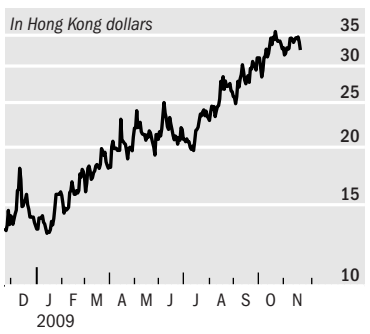
Brambles
Australia A$6.52
▼ **3.6% or A$0.24**

The company's chairman said Thursday sales for the most-recent four months fell 3% year over year.

		Daily	1 wk.	52 wks
Price-to-earnings ratio				**16**
Earnings per share, past four quarters				**0.40**
Dividend yield				**1.9**
	PERCENTAGE CHANGE			
Indus Gds & Svcs		**-0.5%**	-2.3%	54.4%
Brambles		**-3.6%**	-6.3%	-13.1%

Li & Fung
Hong Kong HK$32.50
▼ **4.0% or HK$1.35**

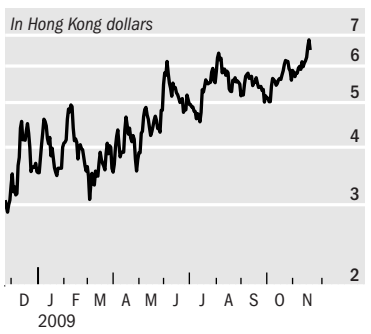
Shares fell for a second day amid worries over the U.S. economic recovery.



		Daily	1 wk.	52 wks
Price-to-earnings ratio				**45**
Earnings per share, past four quarters				**0.72**
Dividend yield				**1.8**
	PERCENTAGE CHANGE			
Personal & Hshld Gds		**-0.3%**	-1.4%	23.0%
Li & Fung		**-4.0%**	-5.0%	143.6%

Pacific Basin Shipping
Hong Kong HK$6.50
▼ **5.0% or HK$0.34**

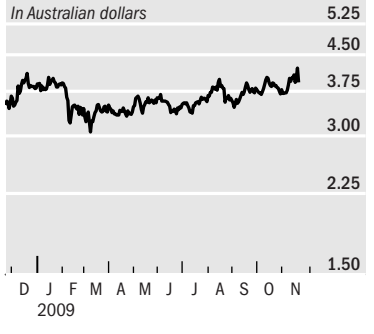
Dry-bulk shippers fell on profit-taking as the rise in the Baltic Dry Index slowed dramatically.



		Daily	1 wk.	52 wks
Price-to-earnings ratio				**10**
Earnings per share, past four quarters				**0.64**
Dividend yield				**1.2**
	PERCENTAGE CHANGE			
Indus Gds & Svcs		**-0.5%**	-2.3%	54.4%
Pacific Basin Shipping		**-5.0%**	6.7%	111.7%

Insurance Australia Grp
Australia A$3.92
▼ **6.9% or A$0.29**

QBE Insurance downplayed speculation it could launch a fresh takeover bid for its rival.



		Daily	1 wk.	52 wks
Price-to-earnings ratio				**42**
Earnings per share, past four quarters				**0.09**
Dividend yield				**1.5**
	PERCENTAGE CHANGE			
Insurance		**-0.4%**	-0.5%	35.6%
Insurance Australia Grp		**-6.9%**	-2.5%	12.0%

MARKETS

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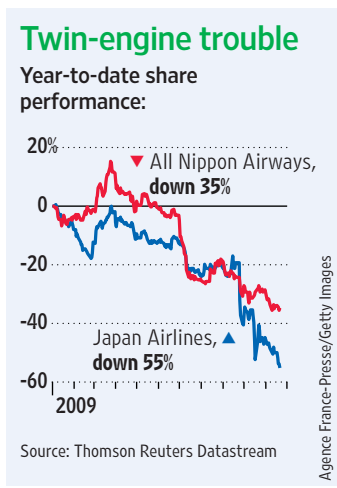
JAL's travails cloud ANA's outlook

Unfortunately for **All Nippon Airways**, **Japan Airlines**' problems have a long reach.

It isn't enough that Nippon has to deal with swine flu and a plunge in business traffic. On Thursday, Moody's downgraded its debt partly because of JAL's travails, saying in part that they raised uncertainty over the "extent and timeliness" of government support for the Japanese airline industry.

Nippon's investors need to worry that a resuscitated JAL, with lower costs and debt, might be more competitive, especially on lucrative international routes. Another concern is that Nippon finds it harder to jettison unprofitable domestic routes. Under political pressure, both JAL and Nippon fly these routes now. But JAL could stop if regulators agree. Or the government could push Nippon to take on routes where JAL was the sole carrier.



Agence France-Presse/Getty Images

The state has been both a blessing for Japanese airlines— by preventing serious competition—and a hindrance.

About the size of California and with an efficient bullet-train network, Japan still has nearly 100 airports. Regulators and politicians have expected the two carriers to fly to all, regardless of route profitability. A recent newspaper report said that 70% of Nippon's and JAL's domestic routes were in the red.

Knowing the strings that come with state help, Nippon has said it wants to stand on its own. The carrier issued $1.6 billion in shares this year to buy more planes to prepare for the expansion of Tokyo's two main airports next year.

JAL's woes have long offered Nippon a chance to expand. But Moody's downgrade offers a reminder that, intentionally or not, JAL still poses a threat.

—James Simms

A BHP-Rio deal is too tempting to resist

Will it? Won't it? **BHP Billiton** is days away from being able to bid again for **Rio Tinto**; the Anglo-Australian mining group abandoned its last takeover attempt on Nov. 26, 2008.

Stockbroker Liberum puts the chances of a fresh tilt at 30%, but that seems too high. BHP and Rio are focused solely on trying to establish their Australian iron-ore joint venture, which promises merger-like benefits without the risks and complications of a broader tie-up.

Ironically, a successful joint venture would make a BHP bid more likely.

As things stand, the two miners are finding it hard to get the joint venture off the ground. Neither doubts the value from a deal. Citigroup has calculated the net present value of synergies at $7.6 billion to $18 billion, not to be sniffed at when the economic outlook is so cloudy.

But getting Australia's two fiercely competitive leading miners to thrash out the details of who does what in a partnership isn't plain sailing.

Then there is Brussels. The European Commission was the lone authority to balk at approving BHP's original merger plan without major remedies, partly explaining why BHP gave up. It is unlikely the commission will wave the joint venture through without lengthy scrutiny. Europe's politically powerful steelmakers are lobbying hard, claiming a joint venture would reduce competition as much as a fully fledged merger.

Heading off the commission's concerns may explain why reaching final agreement on the joint-venture terms is such a slog. BHP and Rio Tinto already have ditched the idea of jointly marketing part of the Pilbara iron ore mine's output in Australia. But they also must show the Commission how they will limit information-sharing to production data and must provide assurances they won't sacrifice production and investment for short-term profits.

But if the venture does get approval and starts up in mid-2010, it may make another BHP bid for Rio more, rather than less, likely. A major competition barrier would have fallen. BHP has $10 billion in spare cash. Assuming Pilbara accounts for roughly 40% of merger synergies, several billion dollars still are going begging. Combining the miners' coal, copper, diamonds and titanium operations may yet prove hard for BHP to resist.

*—**Matthew Curtin***

Europe's latest risk

Europe, it seems, prefers to hang separately rather than together. The appointment of a low-key Belgian as president, the European Union's new top job, and an obscure unelected British official as foreign-policy chief is a blow for the 27-member bloc's global ambitions. It also likely will have economic consequences.

France and Germany now look free to decide the two top economic jobs. The European commissioners for competition and the single market have real power to shape Europe's economic destiny.

The current commissioners, Neelie Kroes and Charlie McCreevy, have largely defended free markets, resisting the protectionist tendencies of national governments, clamping down on state aid and pursuing tough remedies when rules were broken.

If French and German nominees end up holding these economic posts, investors should brace for a change in EU policy. Important dossiers await the new commissioners, including financial-system overhaul, sensitive state-aid decisions on auto makers and a revamp of bank-accounting. France, for example, wants greater political control of accounting, threatening the G20's goal of convergence.

The risk is that these jobs go to commissioners who take a softer approach to member states that prop up national champions or keep out foreign competition.

—Simon Nixon

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